United Nations A/54/393

General Assembly

Distr.: General
23 September 1999

Original: English

Fifty-fourth session
Agenda item 127
Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Note by the Secretary-General

1. In conformity with paragraph 5 (e) (ii) of General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General transmits herewith to the Assembly as submitted the fifth annual report of the Office of Internal Oversight Services, covering activities for the period from 1 July 1998 to 30 June 1999 (see annex).

2. The Secretary-General concurs with the observations of the Under-Secretary-General for Internal Oversight Services in his preface that the independence of the Office has never been compromised during his tenure. He has enjoyed the complete support of the Secretary-General.

3. The ongoing efforts of the Office of Internal Oversight Services to cooperate and coordinate its programme with other oversight bodies, including the Board of External Auditors and the Joint Inspection Unit, are noted with appreciation.

99-27403 (E) 201099

Annex

Report of the Office of Internal Oversight Services

for the period
from 1 July 1998 to
30 June 1999

Contents

		Paragraphs	Page
	Preface by the Under-Secretary-General for Internal Oversight Services		7
I.	General management of the Office of Internal Oversight Services	1–13	9
	A. Introduction	1–3	9
	B. Monitoring implementation of the recommendations of the Office of Internal Oversight Services	4–9	9
	C. Enhancing internal oversight in the operational funds and programmes	10–12	10
	D. Priorities	13	11
Boxes			
	Cost savings and recoveries resulting from actions of the Office of Internal Oversight Services, 1 July 1998 to 30 June 1999		12
	Implementation rates for audit recommendations of the Office of Internal Oversight Services		12
	Nature of intended impact of the recommendations of the Office of Internal Oversight Services to United Nations managers, 1 July 1998 to 30 June 1999		13
II.	Priority areas for oversight	14–90	14
	A. Peacekeeping	14–38	14
	1. Audit coverage of peacekeeping operations	14–23	14
	2. Audits of mission liquidations	24–29	15
	3. Evaluation of the start-up and termination phases of peacekeeping operations	30–31	16
	4. Investigations in peacekeeping missions	32–38	17
	B. Humanitarian and related activities	39–61	17
	1. Office of the United Nations High Commissioner for Refugees	39–57	17
	2. Office for the Coordination of Humanitarian Affairs	58	21
	3. Office of the United Nations High Commissioner for Human Rights	59–60	21
	4. United Nations Relief and Works Agency for Palestine Refugees in the Near East	61	21
	C. Procurement	62–68	22
	1. Procurement reform	62	22
	2. Other procurement issues	63–68	22
	D. Problems in establishing new bodies	69–72	23
	1. International tribunals	69–71	23
	2. Secretariat of the Basel Convention	72	23
	E. Human resources management	73–80	24
	1. General observations	73	24

	2.	Employment of retirees	74–76	24
	3.	Management audit of the United Nations Field Service	77–78	24
	4.	Personnel administration at the United Nations Compensation Commission	79	25
	5.	Management consulting activities	80	25
F.		Managing information technology and the year 2000 problem	81–90	25
	1.	Managing the year 2000 computer problem	81–83	25
	2.	Review of cost increases in the development contract of the Integrated Management Information System	84–86	25
	3.	Information technology management at the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda	87–89	26
	4.	Audit of information technology management at the United Nations Office at Nairobi	90	26
III.		Summary of major activities by oversight function	91–167	27
A.		Audit and management consulting	91–122	27
	1.	General developments	91–95	27
	2.	Significant findings and recommendations	96–121	28
	3.	Status of ongoing audits requested by the General Assembly	122	31
B.		Investigation	123–137	32
	1.	General developments	123–128	32
	2.	Significant cases	129–137	32
C.		Inspection	138–156	34
	1.	New inspections	138–142	34
	2.	Ongoing monitoring of implementation of recommendations	143–149	35
	3.	Inspectoral visits by the Under-Secretary-General for Internal Oversight Services	150–156	35
D.		Monitoring	157–161	36
E.		Evaluation	162–167	37

Appendices

I.	Significant recommendations in reports of the Office of Internal Oversight Services on which corrective action has not been completed	39
II.	Reports of the Office of Internal Oversight Services during the period from 1 July 1998 to 30 June 1999	41

Preface
by the Under-Secretary-General for Internal Oversight Services

This is the last annual report under my signature, since my five-year tour of duty ends in November 1999, close to the publishing date of the present document.

Serving a predictable, non-extendable, non-renewable term of office has been an essential element of my independence, along with the freedom to select the oversight objects and the opportunity to address my reports, through the Secretary-General, to the General Assembly.

The independence of this Office is its most important and indispensable asset. I am proud to say that this independence has never been compromised during my tenure. I have enjoyed the unfettered support of both Secretaries-General with whom I have served.

The Office of Internal Oversight Services has come a long way in the past few years. Only United Nations insiders can truly understand the complexity of establishing an effective internal oversight mechanism in an international and multicultural bureaucracy that had not been accustomed to this type of scrutiny for almost five decades.

The apprehension and fear, the misgivings and misperceptions about the Office of Internal Oversight Services were strong and stubborn in the beginning; I had to wage a confidence-building campaign early on to convey to our various constituents, stakeholders and clients that this Office intended to be a partner rather than an adversary of management, proactive rather than detective, promoting effectiveness and efficiency rather than seeking retribution. I believe that in the meantime my basic message about the OIOS mission has sunk in. While attempts to attack and discredit our work by questioning its professional quality or alleging a "hidden agenda" will probably continue to occur, and we must not brush them off, but take them seriously, more and more managers perceive our oversight activities as an opportunity to reflect about their own methods of work or as a certification of sorts for their performance. More and more, OIOS consultancy is actively sought. The steady rise of the implementation rate of the approximately 6,000 individual recommendations that OIOS has produced so far also testifies to the fact that this Office has become an agent for change in the United Nations, particularly in the areas of strengthened internal controls and improved management performance.

Moreover, OIOS as an independent and comprehensive internal oversight mechanism has become a catalyst for increased attention to and strengthening of similar functions throughout the United Nations system. A number of the specialized agencies, as well as separately administered funds and programmes, have enhanced their own oversight units along the lines of the OIOS concept, and continue to seek our advice. At the meeting of the representatives of internal audit services of the United Nations organizations and multilateral institutions in Paris this year, the system-wide impact of OIOS as a trend-setting model was explicitly recognized.

OIOS direct service to funds and programmes has intensified on several fronts. With the Office of the United Nations High Commissioner for Refugees (UNHCR), the memorandum of understanding of 1996 on providing OIOS internal audit services to the United Nations High Commissioner has been reviewed and updated, in view of the increasing importance of refugee relief operations worldwide and the ensuing oversight exigencies, resulting in a stronger and more field-oriented OIOS/UNHCR Audit Section, with several resident auditors. In regard to the role of resident auditors, this concept of the Audit Management Consulting Division has proven its usefulness in a number of the peacekeeping missions for some years. In the meantime, this practice has been extended to the Iraq Programme and, more recently, to the missions in East Timor and Kosovo.

The number of cases which the Investigations Section handles both in the Secretariat and on behalf of funds and programmes continues to rise and so does their complexity. In particular, cases involving court action in several United Nations host countries require time-consuming and intensive assistance from the OIOS investigators. The workload of this section remains very high, a clear illustration of the need for a professional investigative function in any sizeable public bureaucracy.

The reports that OIOS has transmitted to the General Assembly during the past 12 months have again found the interest of Member States, delegations and the general public. I have also received numerous visits of Parliamentarians and other high-ranking Member States representatives, who wished to be briefed on OIOS functions and activities, and with whom the dialogue about oversight was both stimulating and rewarding.

Cooperation and coordination with the external Board of Auditors and with the Joint Inspection Unit was again fruitful and regular, proving that, not only could duplication

and overlap be avoided, but that the exchange of information and results could lead to synergies between the different oversight bodies.

When I leave the Organization in mid-November 1999, I believe I can hand over to my successor a properly functioning Office of Internal Oversight Services that has found its role and place in the new management culture of the United Nations.

I owe a debt of gratitude to my collaborators who have made the success of OIOS possible and whose dedication and professionalism I have come to appreciate during my tenure here.

My feeling of having contributed to an improved United Nations performance is only diminished, somewhat, by my obvious inability to overcome the reservations of several Member States towards this new Office and its activities. I have tried hard. I provided hours and hours of detailed explanations in formal and informal meetings of the Fifth Committee and the Committee for Programme and Coordination on all thinkable aspects of OIOS operations and gave briefings to individual delegations and participated in symposia and conferences organized by well-meaning United Nations supporters to explain my philosophy of a proactive oversight function, spell out my interpretation of General Assembly resolution 48/218 B, and underscore the completely unbiased manner in which this Office performs its duties, with the increased efficiency and effectiveness of the United Nations as its first and foremost goal, but I have not succeeded in winning the confidence and approval of all delegations.

As I write these lines, three previous annual reports, as well as several individual reports of OIOS, transmitted and introduced a long time ago, have still received no formal response from the Fifth Committee, although they have been thoroughly discussed and commented upon in that forum.

I can only express my hope that this impasse will eventually be overcome and that the value added to the work of the United Nations by independent internal oversight will be recognized by all stakeholders.

The United Nations of today, moving towards the new millennium and its global challenges, is a better Organization in many respects than, say, five years ago, and enhanced oversight has played its part in that change.

However, further improvement within the United Nations is still necessary in many ways. Internal controls are not strong enough yet; accountability continues to be blurred and misunderstood; delegation of authority must be effectively executed; and human resources management is in need of further reform, particularly in the areas of career development, intensified staff rotation, enhanced substantive support in respect of staff-management relations and the system of personnel assessment. Documents management has to be systematized throughout the United Nations in order to strengthen institutional memory and document security. State-of-the-art information technology remains a goal, but has yet to be achieved. The operational and psychological distance between Headquarters and the field, that is, the other duty stations, although somewhat "shortened" by the use of e-mail and by the executive committees created in the reform process, remains a problem.

Beyond these managerial challenges, some more general phenomena have been of concern to me throughout my tenure here, and remain complicating factors in the daily struggle of the Organization:

A staff-management relationship that is characterized by antagonism rather than the spirit of cooperation;

An overly critical attitude of many Member States towards the United Nations bureaucracy, resulting in numerous examples of micromanagement by the legislative organs;

The constantly growing number of mandates where their reduction and a new definition of United Nations priorities would be desirable;

The discrepancy between the expectations the world community has of the United Nations and the meagre resources it makes available to the Organization.

Having said this, I wish to express my pride and satisfaction at having been chosen to serve the world Organization whose importance is bound to grow further in this global environment of ours.

(*Signed*) Karl Th. **Paschke**
Under-Secretary-General
for Internal Oversight Services

New York, 31 July 1999

I
General management of the Office of Internal Oversight Services

A. Introduction

1. The General Assembly, in its resolution 48/218 B of 29 July 1994, established the Office of Internal Oversight Services (OIOS), with the intention of enhancing oversight functions within the United Nations, in view of the increased importance, cost and complexity of the Organization's activities, through intensified evaluation, audit, inspection, investigation and compliance monitoring. The Assembly stressed the proactive and advisory role of the new Office and the expectation that it would give assistance and provide methodological support to programme managers in the effective discharge of their responsibilities. On 24 August 1994, by its decision 48/323, the Assembly approved the nomination of Mr. Karl Th. Paschke as Under-Secretary-General for Internal Oversight Services. He assumed his duties on 15 November 1994 for a non-renewable, non-extendable fixed term of five years, which will end as of 14 November of this year.

2. Since the adoption of General Assembly resolution 48/218 B, a number of administrative issuances have further elaborated on the role of OIOS. The provisions in the Secretary-General's bulletin of 7 September 1994 (ST/SGB/273) describe in detail the mechanisms for implementing resolution 48/218 B and the scope of OIOS authority and responsibilities. The means for reporting matters to OIOS were set out in an administrative instruction also issued on 7 September 1994 (ST/AI/397). Terms of reference were further described within the United Nations legal framework in the information circular of 25 April 1996 (ST/IC/1996/29). To make OIOS operations transparent, OIOS continues to review existing procedures and to develop new ones.

3. The number of reports published by the Office of Internal Oversight Services has steadily increased each year since its inception: 12 in 1995, 13 in 1996, 16 in 1997, 20 in 1998, with a similar number envisaged for 1999.

The number of reports published by the Office of Internal Oversight Services has steadily increased each year since its inception.

B. Monitoring implementation of the recommendations of the Office of Internal Oversight Services

4. Paragraph 28 of document ST/SGB/273 set out eight categories of information, listed as subparagraphs (a) to (h), to be included in OIOS annual reports. In terms of those eight subparagraphs, the information in the present report is as follows:

(a) and (b) A description of significant problems, abuses and deficiencies: see paragraphs 14 to 173;

(c) Recommendations not approved by the Secretary-General: none; the Secretary-General considered further review necessary for OIOS recommendations on the International Criminal Tribunal for Rwanda: see paragraphs 70 and 71;

(d) and (e) Recommendations in previous reports on which corrective action has not been completed or where management revised a decision from a previous period: see appendix I;

(f) and (g) Recommendations on which agreement could not be reached with management or where requested information or assistance was refused: there have been no such situations;

(h) The value of cost savings recommended and amounts recovered: see box after paragraph 13.

5. As required by its mandate, OIOS reports to the Secretary-General on the status of implementation of its recommendations on a semi-annual basis. Two such reports have been submitted to the Secretary-General since the last annual report, covering the periods from 1 July to 31 December 1998 and from 1 January to 30 June 1999. A computerized monitoring system tracks recommendations issued by OIOS. The emphasis by OIOS on the full implementation of its auditing, inspection, evaluation and investigation recommendations continues to be a strong focus of the Office and results in a continuous dialogue between OIOS and its clients. More effort is being spent

before recommendations are finalized to ensure their quality and usefulness to management, which in turn has an impact on implementation.

A computerized monitoring system tracks recommendations issued by OIOS.

6. Monitoring the implementation of OIOS recommendations is important for: (a) compliance purposes; (b) determination of the impact of OIOS on the Organization; and (c) for strategic planning of future oversight activities. In its ninth and tenth semi-annual reports to the Secretary-General, OIOS has begun a process of analysing the effects its recommendations have had on the different functional areas for each of its client departments. By reviewing the number of recommendations made in each functional area in the semi-annual reports to the Secretary-General and the level of implementation achieved by each of the four major recipient clients, a useful summary could be produced. Positive feedback was obtained from the Executive Office of the Secretary-General on this new way of reporting on OIOS recommendations and their implementation.

7. During the period from 1 October 1994, the date of establishment of OIOS, to 30 June 1999, the Audit and Management Consulting Division had provided analytical data on four major clients: the Department of Peacekeeping Operations, the Department of Management, the United Nations Environment Programme (UNEP) and the Department of Economic and Social Affairs. The reports submitted for these four clients accounted for approximately 50 per cent of OIOS recommendations. During the current reporting period, the Department of Peacekeeping Operations continued to be the largest recipient of audit recommendations, accounting for approximately 18 per cent of OIOS recommendations. The Office of the United Nations High Commissioner for Refugees received 13 per cent of overall recommendations during the same reporting period, whereas the Department of Management and UNEP each received about 11 per cent of the recommendations.

8. From 1 October 1994 to 30 June 1999, OIOS provided United Nations management with a total of 6,675 recommendations. The implementation rates are as follows: in the audit area, 6,201 recommendations were issued, of which 72 per cent were implemented; the Investigations Section issued 324 recommendations, of which 85 per cent were implemented; and the Central Monitoring and Inspection Unit issued 150 recommendations, of which 82 per cent were implemented. Recommendations issued by the Central Evaluation Unit are addressed to Member States and are monitored in a different way, involving reporting to the Committee for Programme and Coordination (see paras. 164-167).

9. During the current reporting period, 1 July 1998 to 30 June 1999, the Audit and Management Consulting Division issued 744 recommendations, of which 37 per cent were implemented; and the Investigations Section issued 97 recommendations, of which 57 per cent were implemented. The Central Monitoring and Inspections Unit issued new recommendations after the end of the reporting period and therefore implementation rates for these recommendations will be reported in the next annual report. The Central Evaluation Unit's recommendations to the Committee for Programme and Coordination at its thirty-ninth session and the Committee's actions are described in paragraphs 164 to 167 below.

C. Enhancing internal oversight in the operational funds and programmes

10. During the reporting period, the Fifth Committee briefly took up the Secretary-General's report on enhancing internal oversight in the operational funds and programmes. However, it has not yet concluded its deliberations. Nevertheless, many of the funds and programmes maintain close cooperation with OIOS and have taken their own steps to enhance internal oversight. The Investigations Section continues to provide assistance to several funds and programmes.

11. The growing tendency of internal oversight bodies in different parts of the United Nations family to work together, share experiences, benefit from lessons learned and provide assistance to each other, which was reported in last year's report, continues. The OIOS Investigations Section hosted the first Conference of Investigators of the United Nations system in New York, in September 1999, at which a range of topics were discussed, including confidentiality and due process, interacting with clients, preparing reports and operating in the field.

12. As part of its efforts to strengthen oversight within the United Nations system, OIOS continues to work under memoranda of understanding for the provision of internal audit services to the Office of the United Nations High Commissioner for Refugees (UNHCR); the International Trade Centre/UNCTAD/WTO; and the United Nations Compensation Commission. Audit services are also provided to the United Nations International Drug Control Programme and the United Nations Joint Staff Pension Fund. These

arrangements have been recognized by management as a beneficial and efficient means of providing audit services. The initial level of audit resources has been augmented in some cases.

D. Priorities

13. The first annual report of OIOS (A/50/459, annex) identified three priority areas for oversight: peacekeeping, humanitarian and related activities and procurement. In the period covered by the 1996 report (A/51/432, annex), the problem of establishing new bodies was also treated as a priority. The General Assembly, in its resolution 51/241 of 31 July 1997, identified several areas that warrant more intensive review by the United Nations oversight bodies. Since many of these areas are in the field of human resources management, last year OIOS added this area to its oversight priorities. These areas continued to be emphasized by OIOS during the year under review. In addition, during this past year, OIOS has given priority to reviews of information technology management, including efforts being made at United Nations Headquarters and offices away from Headquarters to prepare for the year 2000 computer problem.

Cost savings and recoveries resulting from actions of the Office of Internal Oversight Services, 1 July 1998-30 June 1999

(Millions of United States dollars)

Nature of financial implications	*Amount identified and recommended*	*Savings and recoveries*
Loss or waste of resources	10.2	0.4
Recoveries (one-time)	16.1	15.0
Expenditure reduction (one-time)	-[a]	2.3
Expenditure reduction (recurring)	2.9	1.4
Additional income (one-time)	0.1	-
Additional income (recurring)	-[a]	-
Budget reduction in conformity with OIOS recommendations	5.1	4.0
Recovery of fraudulent amounts	3.3	0.4
Total	**37.8**	**23.5**

[a] Less than $25,000.

Implementation rates for audit recommendations of the Office of Internal Oversight Services

Period covered[a]	*Total number of recommendations*	*Percentage implementation rate as at*					
		30 September 1995	*31 December 1995*	*30 June 1996*	*30 June 1997*	*30 June 1998*	*30 June 1999*
1 April-30 September 1995	1 057	31	37	58	67	70	76
1 October-31 December 1995	480	-	59	59	66	66	69
1 January-30 June 1996	1 162	-	-	41	67	71	73
Total or average	**2 699**	**31**	**44**	**51**	**67**	**70**	**73**

[a] Recommendations for the period 1 October 1994-31 March 1995 have been closed; no further follow-up action will be taken by OIOS; the implementation rate for these 1,343 recommendations is 84 per cent.

Period covered	*Total number of recommendations*[a]	*Percentage implementation rate as at*			
		31 December 1996	*30 June 1997 (Percentage)*	*30 June 1998*	*30 June 1999*
1 July-31 December 1996	513	36	61	75	84
1 January-30 June 1997	298	-	48	70	83
1 July 1997-30 June 1998	604	-	-	43	70
1 July 1998-30 June 1999	744	-	-	-	37[b]
Total or average	**2 159**	**36**	**54**	**63**	**69**

[a] Reflects only those recommendations made in final communications, i.e. reports or memos to heads of departments or offices.
[b] Implementation rate based on recommendations for which replies were received as at 30 June 1999.

Nature of intended impact of the recommendations of the Office of Internal Oversight Services to United Nations managers, 1 July 1998-30 June 1999

Nature of intended impact	*Audit and Management Consulting Division*[a]	*Central Evaluation Unit*	*Central Monitoring and Inspection Unit*	*Investigations Section*[b]	*Total*	*Percentage*
	(Number of recommendations)					
Improved operational efficiency or effectiveness	281	-	20	7	308	37
Improved management control	245	-	4	5	254	30
Improved management structure	35	-	-	1	36	4
Improved accuracy or reliability of financial or management information	142	-	-	1	143	17
Improved physical security or safety	2	-	-	2	4	-
Disclosure and correction of mismanagement	33	-	-	22	55	7
Disclosure and correction of misconduct or fraud	6	-	-	37	43	5
Total	**744**	**-**	**24**	**75**	**843**	**100**
Recommendations to the Committee for Programme and Coordination in evaluation reports		13				

[a] Including UNHCR Section.

[b] Published reports only, as listed in appendix II.

II
Priority areas for oversight

A. Peacekeeping

1. Audit coverage of peacekeeping operations

14. Audits of peacekeeping operations have continued to be a priority area for OIOS. In addition to expanding the audit coverage of the Department of Peacekeeping Operations at Headquarters, audits were conducted at eight field missions during the reporting period. OIOS resident auditors posted to the United Nations Mission in Bosnia and Herzegovina (UNMIBH), the United Nations Observer Mission in Angola (MONUA) and, most recently, the United Nations Interim Assistance Mission in Kosovo (UNMIK) provided continuous audit coverage at those missions.

(a) United Nations Logistics Base at Brindisi

15. An audit of the United Nations Logistics Base at Brindisi, Italy (UNLB) found that the Base was fulfilling a vital function in the peacekeeping logistics chain. The Logistics Base has also become the satellite communications link between Headquarters and the peacekeeping operations in Central Asia, the Middle East and the former Yugoslavia. The overall management of the reserve stock has also improved. However, despite these advances, a number of important tasks such as counting, costing and recording the large quantity of expendable inventory items needed to be completed before the Logistics Base could be considered fully operational.

16. A common inventory system should be installed to provide proper control and enable the Logistics Base to quickly and accurately inform peacekeeping missions of the availability of materials. This could alleviate problems such as the storage of unused kitchen containers, valued at $1.5 million, which had been kept for over four years and were in danger of deteriorating to the point where they could no longer be used. Timely action was also needed to dispose of over $22 million worth of assets that had been or were being written off. Management subsequently advised OIOS that, in October 1998, they had installed the field asset control system at the Logistics Base. This system is intended to enhance decision-making on various aspects of management.

A common inventory system should be installed to provide proper control and enable the United Nations Logistics Base at Brindisi to quickly and accurately inform peacekeeping missions of the availability of materials.

(b) Audit of central support services

17. A central support unit was established in Zagreb to provide air operations, communications and logistical support to the three missions in the former Yugoslavia. The Office of Internal Oversight Services determined, however, that this unit was providing only limited services to two of the missions, and virtually no services to the third. OIOS concluded that most of the central support functions should be transferred to the United Nations Mission in Bosnia and Herzegovina (UNMIBH) with corresponding staff reductions and that the premises used by the unit should be returned to the Government of Croatia. These measures resulted in estimated budgetary savings of $1.7 million per year. The recommendations were accepted and the central support operation was phased out resulting in significant savings to the Organization.

(c) OIOS resident audits at the United Nations Observer Mission in Angola

18. The OIOS resident auditor observed that the contractor for logistical support services at the United Nations Observer Mission in Angola (MONUA) was submitting photocopies of invoices for payment. This resulted in double payments totalling $30,000 for three invoices that had been submitted twice. Management agreed to recover the overpayment from the contractor and also directed the contractor to submit original invoices for reimbursement.

19. For a period of four years, the Mission procured all airline tickets from one travel agent in Johannesburg, without conducting a formal procurement exercise. Total payments to this travel agent exceeded $1.7 million, and were made without seeking approval from the local or Headquarters committees on contracts. In response to the OIOS recommendation, the Mission agreed to solicit quotes from three travel agencies whenever purchasing airline tickets.

20. MONUA had chartered 15 aircraft to meet its logistical and transport requirements. The payment for these aircraft was based on the actual flight times. As the charter rates were expensive, it was vital that MONUA exercise control to ensure that flight times were accurately recorded. However, MONUA did not have adequate internal controls in place to verify the accuracy of the flight times recorded by the pilots. Management agreed with the OIOS recommendation to strengthen internal controls in this area.

The United Nations Observer Mission in Angola did not have adequate internal controls in place to verify the accuracy of the flight times recorded by the pilots.

(d) OIOS resident audits at the United Nations Mission in Bosnia and Herzegovina

21. An audit of travel revealed that the approvals for transportation of personal effects of the civilian police and military observers of the United Nations Mission in Bosnia and Herzegovina (UNMIBH) as accompanied baggage had been systematically abused to defraud the Organization. This matter was examined by OIOS investigators and is discussed in detail in paragraphs 33 to 37 below. After the fraud was uncovered, the Mission implemented appropriate internal controls as recommended by the resident auditor to ensure economy and transparency in travel operations. As a result, UNMIBH saved about $1.25 million between 1 July 1998 and 30 June 1999.

22. An audit of the induction of International Police Task Force monitors in UNMIBH indicated that early repatriation of unsuitable police officers was a persistent problem that resulted in avoidable costs and adversely affected operational efficiency. In some cases, police officers found to be unsuitable nevertheless arrived in the mission area, only to be repatriated to their respective countries. In other cases, police officers declared suitable were found to be unsuitable after their arrival in the mission. Some police officers had apparently cheated on the language test and had to be repatriated upon failing a re-test after arriving in the mission. Also, some police officers were authorized to travel to the mission area without obtaining prior medical clearance. Although early repatriations cannot be avoided entirely, the audit indicated that they could be reduced by strengthening induction procedures.

(e) Audit of the Voluntary Trust Fund for Assistance in Mine Clearance

23. Significant weaknesses in the organizational structure and operations of the Mine Action Centre of the Department of Peacekeeping Operations limited its effectiveness as the Organization's focal point for demining activities. These included the absence of an approved staffing table, cost plans and operational guidelines for the effective administration of demining projects. There was also a lack of progress and financial reporting by implementing agencies. As a result, the implementation of a number of demining projects was not properly monitored, thereby posing serious financial risks to the funds entrusted to the Organization. The audit also disclosed that trust fund accounting records were not accurately maintained and that there were long outstanding accounts receivable, inter-fund indebtedness and unliquidated obligations. Management agreed with all of the OIOS recommendations and initiated necessary corrective actions. OIOS will closely follow up on implementation of its recommendation in this very important area.

2. Audits of mission liquidations

(a) The United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium

24. An audit of the liquidation of the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES) showed that it had generally been well planned and executed. However, the audit also identified some problems regarding the commercial auction of the mission's assets that should be incorporated into lessons learned for future liquidations. These shortcomings were as follows:

(a) The auction contractor's parent company was allowed to register as a bidder and became the largest single buyer, creating a conflict of interest situation;

(b) Some buyers, including the auction contractor's parent company, were exempted from paying the auctioneer's premium, which breached contractual conditions and exposed the Organization to financial risks;

(c) Auction contracts were not submitted through the local Committee on Contracts, resulting in a lack of transparency.

As a result of the recommendations of OIOS, the Department of Peacekeeping Operations stated that future auction contracts should include a clause with regard to individuals or companies having ties to the auction contractor to ensure

the integrity of the auction process. The Department also agreed that auction contracts should be submitted to the appropriate committee on contracts.

Staffing peacekeeping missions with qualified and experienced personnel has been a continuing problem.

25. Staffing peacekeeping missions with qualified and experienced personnel has been a continuing problem that has not been satisfactorily resolved. At UNTAES, there were five different Chief Procurement Officers, with varying degrees of experience, within one 14-month period. This resulted in significant procurement deficiencies, including repeated bidding exercises to dispose of scrap material and the uneconomical repatriation of contingent-owned equipment. In order to alleviate the staffing problem at missions, the Department of Peacekeeping Operations informed OIOS that it would provide formal training to newly recruited staff prior to their deployment to the field.

(b) The United Nations Observer Mission in Angola

26. A physical inspection of the Viana Logistics Base disclosed that little progress had been made to dispose of a large quantity of scrap materials and written-off vehicles. OIOS also found that four vehicles costing $430,000 had been abandoned in the Mission area because of hostilities, although they had low mileage and were suitable for use by other missions. Management informed OIOS that it would have been uneconomical to recover the vehicles and, therefore, it had been decided to sell them to a non-governmental organization or to donate them to the Government.

27. Another impediment to the timely liquidation of MONUA was the lack of reliable records for expendable and non-expendable assets. The original reconciliation plan seemed overly optimistic considering the incomplete state of the central asset database and the need to update it for the more than $4 million in assets abandoned in the regions. Furthermore, physical inventories had not been taken on a regular basis, as prescribed by financial rules, and the supply item inventory records proved to be incorrect. For example, the inventory list of electrical supply items had been overvalued by more than $6 million. Management advised OIOS that action had been taken to reconcile the non-expendable assets and to correct the deficiencies in the supply inventories.

Another impediment to the timely liquidation of the United Nations Observer Mission in Angola was the lack of reliable records for expendable and non-expendable assets.

28. Although financial management of MONUA accounts had improved considerably at the time of the liquidation, little progress had been made to recover $1.1 million of longstanding accounts receivable. Since a large portion of this amount is owed by former civilian police and military observers who are no longer employed by the Organization, it may now be difficult to recover these accounts.

29. In accordance with the Status of Forces Agreement, premises were to be provided to MONUA at no charge. However, despite its efforts, MONUA had not always been successful in obtaining free accommodation. It was found that the Mission had paid approximately $13 million directly to various landlords for the rental of facilities. OIOS recommended that MONUA review this matter to determine whether a formal claim for reimbursement should be made to the Government. Failing recovery of these amounts, it should be used as an offset against any claims presented by the Government. Management agreed with these recommendations.

3. Evaluation of the start-up and termination phases of peacekeeping operations

30. The triennial review of the Department of Peacekeeping Operations found that the Department had made a concerted effort to follow through on prior recommendations. The lessons learned from wide experience were being formulated and applied. Most of the issues raised in the in-depth evaluations of the start-up and termination phases were examined in recent lessons learned reports. Cooperation between the Department of Peacekeeping Operations and the Department of Public Information on the information aspects of missions, which was problematic at the time the first evaluation report was prepared, now appeared to be functioning reasonably well. Significant progress in the manner in which missions are liquidated was also noted.

31. One area of disappointment was highlighted: the most basic depository of past experience, a comprehensive indexed archive of mission standard operating procedures, which was to have been put on the Department of Peacekeeping Operations Intranet for the use of missions, had still not been created. The need to create such an archive had been reiterated in several reports since the first

evalùation of peacekeeping in 1994: recommendation 2 of the termination phase report established a deadline of 30 September 1996, and two years later, recommendation 1 of the triennial review of the start-up phase established a deadline of 30 September 1998. Both these deadlines were agreed to by the Department of Peacekeeping Operations. OIOS hopes that the archive can be established by the end of 1999 and will keep this matter under review. The Committee for Programme and Coordination endorsed the conclusions of the triennial review (A/54/16, para. 542).

4. Investigations in peacekeeping missions

32. In the reporting period, the Investigations Section continued to work on pending cases in peacekeeping operations and commenced work on new matters: of the 247 cases received during the reporting period, 48 cases concerned peacekeeping.

(a) Travel fraud case, the United Nations Mission in Bosnia and Herzegovina

33. An investigation into excess baggage charges at UNMIBH produced evidence that the former Chief of the Traffic and Travel Unit of the Mission had defrauded the Organization by devising a scheme with two substantively related, but operationally different, components.

34. The first component involved a conspiracy between the former Chief and the manager of a travel agency in which falsified invoices and related supporting documentation were submitted by the travel agency to UNMIBH in order to obtain unearned revenues by including charges to the United Nations for excess baggage that the airlines provided free for each United Nations passenger.

35. The second component involved an airline employee who entered into a separate plan with the former Chief, who authorized payments of falsified airline invoices submitted to UNMIBH, which were prepared by the airline employee to include charges for 100 kilograms of excess baggage provided by the airlines for free.

36. Following a complaint by the Organization to the relevant United States authorities, made after investigators discovered that the former Chief had left the mission without authorization, he was arrested in late December 1998 by the Federal Bureau of Investigation in New York and subsequently charged with crimes under United States law related to the above-reported fraud. In late September 1999, a jury found him guilty of five counts of international wire fraud and conspiracy to commit international wire fraud. The criminal activities by the former Chief and by his accomplices resulted in an estimated loss to the United Nations of about $800,000 during the period of his tenure with UNMIBH.

37. A complaint also was lodged by the Organization with the relevant Croatian authorities, who have initiated a criminal investigation into the fraud. OIOS investigators have been cooperating with both jurisdictions.

(b) Acceptance of favours by a staff member of the United Nations Mission in Bosnia and Herzegovina

38. The investigation into the allegation that an UNMIBH staff member accepted favours from a Croatian travel agency revealed that, in April 1998, the staff member accepted an invitation from the owner of the travel agency to visit a Croatian island for two days. All costs for the trip, which included the air ticket, hotel accommodation and other incidentals, were paid by the owner of the travel agency. The investigation also revealed evidence that the travel assistant failed to properly verify billing documentation from that travel agency and certified the agency's false invoice, which resulted in a direct loss to the Organization in excess of $40,000. The OIOS recommendation for appropriate action has been accepted and is being acted on by the Department of Peacekeeping Operations and the Office of Human Resources Management in the form of proper disciplinary procedures.

B. Humanitarian and related activities

1. Office of the United Nations High Commissioner for Refugees

(a) Audits

39. Activities under the responsibility of the Office of the United Nations High Commissioner for Refugees (UNHCR) were audited by the UNHCR Audit Section of OIOS under the terms of the memorandum of understanding on the provision of internal audit services. The memorandum of understanding, which was signed on 29 April 1997 and revised on 29 April 1999, envisages a regular audit coverage of the voluntary funds administered by UNHCR, which, in 1998, amounted to approximately $840 million in some 140 country programmes. OIOS has established an internal audit cycle for these operations, a cycle which can range from two to five years, depending on the financial volume of the operations and on other risk factors. During the reporting period, OIOS audits covered UNHCR operations in Africa (Algeria, Ethiopia, Ghana, Guinea, Kenya, Liberia, Niger and Rwanda), Asia and Pacific (Indonesia, Laos, Papua New

Guinea and Viet Nam), Europe (Armenia, Bosnia and Herzegovina, Georgia, Russian Federation, Slovenia, and the former Yugoslav Republic of Macedonia) and America (Brazil and Guatemala). The audits focused on programme implementation by UNHCR field offices and their implementing partners and on UNHCR field office administration. In addition to these 20 country audits, OIOS conducted three audits at UNHCR headquarters. During the reporting period, OIOS issued more than 50 audit observations to UNHCR field managers and 12 audit reports to UNHCR senior management. Most of the 98 key recommendations in the audit reports related to the functional areas of finance, travel and programme management.

40. In response to UNHCR's efforts to decentralize the management of its operations and the resulting establishment of field-based regional directors in Africa, OIOS has established resident auditor positions in Abidjan and Nairobi. These auditors concentrate on operations in West and Central Africa, East Africa, the Horn of Africa, including the Great Lakes region, and southern Africa. The new arrangement brings auditors closer to the operations and allows them to draw the immediate attention of the regional director concerned to any problems disclosed. Recently, OIOS and UNHCR have decided to assign a resident auditor for the UNHCR operations in Kosovo.

Implementing partner arrangements

41. Almost 40 per cent of UNHCR's 1998 programme expenditures were made through implementing partners. Financial management and programme management by implementing partners were, therefore, a priority area for OIOS audits. Repeatedly, auditors had difficulty reconciling the financial information reported to UNHCR by the implementing partners in their final sub-project monitoring reports to the information available in their accounting records. Weaknesses in the partners' accounting systems or incomplete accounting documents sometimes made it difficult to verify the accuracy of expenditures reported to UNHCR. In local non-governmental organizations (NGOs), the problems mainly resulted from inadequate systems or inadequately trained staff. Better guidance, capacity-building and intensified monitoring by UNHCR would help to rectify this situation. In response to OIOS recommendations for improved monitoring, UNHCR has developed an "implementing partner financial monitoring checklist". This checklist, which is currently being tested, will provide UNHCR programme and finance staff in the field with a structured methodology to make financial monitoring of implementing partners more effective.

Weaknesses in the partners' accounting systems or incomplete accounting documents sometimes made it impossible to verify the accuracy of expenditures reported to UNHCR.

42. Most international NGOs were operating state-of-the-art accounting systems, but problems sometimes resulted from accounting policies and account structures that differed from accounting structures in UNHCR. In certain cases, numerous manual adjustments were needed to meet UNHCR reporting requirements, making a systematic reconciliation difficult. In some cases, international NGOs had shipped their entire accounting documents to their national headquarters, without leaving copies with their field operations. In other cases, documentation available in the field did not support expenditures incurred by the NGO's headquarters (e.g. international procurement). OIOS recommended that UNHCR enforce certain minimum standards for the availability of accounting information in the field.

43. Financial information submitted by Government implementing partners was not always reliable. In one country programme, OIOS auditors found that the amounts reported to UNHCR as spent were not actual expenditures, but reflected the instalments received from UNHCR and forwarded to other government offices. These reports turned out to be "fund transfer reports", acknowledging the receipt of UNHCR funds rather than reporting on the use of these funds.

44. In its 1997 report (A/52/426, para. 46), OIOS had described the case of a government implementing partner whose project and financial documentation for the period 1992 to 1996 was in such poor condition that it could not be audited. Based on bank records obtained from the partner's bank, however, OIOS was able to identify irregularities, which disclosed, *inter alia*, an amount of more than $250,000 of unreported interest income and sales proceeds, which were due to UNHCR. In 1993, an audit had disclosed irregularities in a major contract awarded by this government partner. A subsequent audit by the country's supreme audit institution corroborated the United Nations audit findings and concluded that fraudulent actions had occurred with the evident acquiescence of the government officials concerned. Despite repeated efforts from UNHCR, even at the highest levels, the government authorities concerned have not energetically addressed these issues. By the end of 1998, the prosecutor had not yet determined whether there was probable cause to proceed with prosecution against the contractor of the 1993 contract. Not even a preliminary

investigation had been initiated against any of the former government officials involved. Other than securing the project documentation in cabinets, no serious efforts have been made to reconstruct the project files, which is an essential condition for an audit by the supreme audit institution and for determining the full extent of anomalies and irregularities. In addition, none of the unreported income has so far been returned to UNHCR. OIOS believes that UNHCR's efforts to address audit issues and to implement audit recommendations will fail if these efforts do not receive the necessary response from government partners.

45. In another case, an OIOS audit confirmed allegations of fraud committed by a local NGO implementing partner. The partner had embezzled UNHCR funds by creating fictitious transactions, adding fictitious workshop participants to the lists for payment of allowances, withholding social security and separation payments and taking loans from UNHCR project funds. UNHCR has discontinued the cooperation with the partner and has shared relevant information with other agencies concerned. As recommended by OIOS, UNHCR intends to bring the matter to the attention of host country authorities.

Audit certificates

46. To increase the level of assurance about the regularity, compliance and propriety of expenditures incurred by implementing partners, UNHCR requests the submission of audit certificates. The level of compliance with this requirement has significantly increased during the reporting period owing to the intensive efforts made by UNHCR; more attention, however, needs to be given to the minimum standards for the acceptance of audit certificates. UNHCR accepts copies of the consolidated audited financial statements from international NGO implementing partners. The statements, which account for more than 46 per cent of the total implementing partners' expenditures, clearly identify UNHCR funding. In some cases, however, these consolidated statements provide rather general information on the total amounts of UNHCR funds involved. In the view of OIOS, statements should disclose, on a country and sub-project level, the funds received from UNHCR and spent on its behalf in order to allow reconciliation with the sub-project monitoring reports submitted. OIOS stands ready to assist UNHCR on this issue.

Programme implementation

47. Programmes did not always achieve the stated objectives. In one country programme, UNHCR spent more than $5 million for materials and labour for the reconstruction of several thousand housing units. An independent evaluation showed that, out of a sample of 152 housing units assessed, only two had been completed according to the level of the basic programme specifications. When completed, reconstructed houses were not always occupied by the intended beneficiaries. As of May 1998, almost 20 per cent of the houses rehabilitated under a 1997 programme were still unoccupied. While aware that political and security reasons sometimes prevented the intended use, OIOS believes that more intensive programme monitoring by UNHCR could have limited the problems.

48. Quick impact projects are often a major component of reintegration programmes. OIOS audits found that many of these projects, while facilitating reintegration and addressing the needs of returnees, do not deserve to be characterized as quick. Even with adequate planning, the normal approval and implementation lead-times for many of these projects exceed UNHCR's annual budget periods. As a result, projects are starting without secure funding for their completion and de facto financial obligations are incurred for future financial periods. The implementation of multi-year projects within the narrow framework of annual budgets makes project planning volatile, involves risks for the completion of projects and raises the question of sustainability. In the view of OIOS, such programmes, in order to be effective, require funding arrangements that go beyond the budget year. OIOS recommended that UNHCR consider alternative funding mechanisms.

The implementation of multi-year projects within the narrow framework of annual budgets makes project planning volatile, involves risks for the completion of projects and raises the question of sustainability.

49. Revolving funds are frequently used to increase the impact of UNHCR assistance, particularly for refugee income generation. However, without sufficiently skilled partners and adequate planning, the costs of such revolving schemes may outweigh the benefits. OIOS auditors found that in one revolving fund, the expenditures incurred by the executing agency for training, the administration of loans and for overhead costs had exceeded the total amount of loans granted, thus depleting part of the capital fund. Since the fund had been financed under an annual programme, not enough attention had been given to long-term monitoring and sustainability.

50. In another case, OIOS auditors found that budgets for quick impact projects had been approved in local currency, while UNHCR instalments to the implementing partners had been paid in United States dollars, resulting in significant

exchange rate gains by implementing partners. These windfall profits, which, according to OIOS estimates, may have reached several hundred thousand dollars, were not reported to UNHCR but were kept in the implementing partners' accounts. UNHCR has requested the partner to disclose the total amount of exchange rate gains made and to seek UNHCR's agreement on the use of this programme income.

51. Although weak or inadequate internal controls are a reason for concern with many implementing partners, OIOS also found a case where overly restrictive internal controls affected the efficiency of the operation and paralysed programme implementation. Cumbersome and lengthy approval procedures resulted in late delivery of assistance to returnees.

Cash management

52. Cash management in the field is of continuous concern. The lack of adequate banking facilities in many areas of operations often forces UNHCR field offices to operate largely on a cash basis. Amounts disbursed in cash can be quite significant, and in some cases cash kept in the office's safe amounts to several hundred thousand dollars. To reduce the risks involved, OIOS has recommended using bank facilities whenever feasible, keeping cash imprest levels to a minimum and strengthening controls and security measures for unavoidable cash operations. Surprisingly, the management of large operational cash funds is, in principle, governed by the same rules that have been established for the operation of petty cash. However, individual payments from petty cash normally do not exceed the equivalent of $100 and the risk involved is thus limited. OIOS believes that large cash operations require specific guidelines, which reflect the nature and volume of the transactions made and the level of risk involved. For example, as UNHCR bank accounts are normally operated on a joint signatory basis, the operation of large cash funds should be subject to equivalent or even stricter controls.

53. With the implementing partners, OIOS audits often noted a lack of segregation of duties for cash functions. One implementing partner's project manager was the sole bank signatory, signed cheques for cash advances to himself and subsequently made all the disbursements. While trustworthiness of staff is crucial for an operation, it cannot replace adequate internal controls. To overcome such problems in cash management and in other areas of financial management, implementing partners need UNHCR guidance, training and monitoring. The UNHCR training programme on financial management and control has significantly improved the financial management skills of UNHCR field staff. A similar initiative is warranted to strengthen financial management in implementing partners.

Payment of taxes

54. OIOS audits revealed several instances where UNHCR encountered difficulties asserting its rights under the 1946 Convention on the Privileges and Immunities of the United Nations and/or applicable UNHCR cooperation agreements with host States. Problems arose in particular when refugee projects were implemented by UNHCR implementing partners. In one country, UNHCR-owned vehicles purchased from programme funds and used by implementing partners under right-of-use agreements were subjected to customs duties if they were put at the disposal of the implementing partners without UNHCR number plates. UNHCR thus has to choose between accepting the risk of financial liability arising from the use of those vehicles and the payment of customs duties. In several countries, important purchases made by implementing partners with UNHCR programme funds and for programme purposes were subjected to value added tax, and efforts to obtain a remission or return of the taxes paid were not successful. UNHCR should strive to have its privileges under the 1946 Convention extended, through cooperation agreements, to its implementing partners. Until this issue has been satisfactorily addressed, UNHCR should consider minimizing procurement through implementing partners. In one country, UNHCR telecommunications equipment is being held by customs pending the payment of a "fee" which does not constitute a charge for services provided, but a tax. Such practice is clearly in violation of the government's obligations. In another country, national tax legislation obliges beneficiaries to pay taxes on assistance payments received out of UNHCR funds. Even if the taxation does not constitute a violation of the applicable international legal instruments, it is neither in the interest of refugees, nor in accordance with donor intentions, if scarce funds provided for humanitarian purposes contribute to national budgets. Concerted efforts between UNHCR and other United Nations offices and agencies are needed to convince the Governments concerned that the funds entrusted to UNHCR should be fully spent for the benefit of refugees, in accordance with its mandate. Further, UNHCR should firmly insist that international law prevails over conflicting national tax regulations or administrative arrangements.

Special review

55. At the request of UNHCR management, OIOS conducted a special review in one country office. The review

disclosed several irregularities, including the disposal of vehicles by sales arrangements which favoured UNHCR staff, the use of UNHCR repair facilities and spare parts for private purposes and questionable or even improper claims for travel cost and related entitlements. As a result of this review an amount of approximately $25,000 was recovered. The staff member concerned left the Organization.

(b) Investigations

Allegations of fraud

56. In the reporting period, the Investigations Section worked on five cases concerning UNHCR field operations. One investigation concerned a report alleging that, during the period from 1992 to 1998, two UNHCR staff members accepted kickbacks from vendors in exchange for the disbursement of inflated payments and the procurement of excessive quantities of rice seeds. The Section also received a report to the effect that a five-page document, which included a false United Nations audit report asserting that prices paid by UNHCR for rice seeds were unjustifiably elevated and that overpurchases had occurred, had been circulated to a local newspaper. Because the Investigations Section reported that the evidence adduced in the investigation did not substantiate the allegation of the acceptance of kickbacks, UNHCR has implemented the Section's recommendations to clear the staff members accused. On the other hand, the investigation established that a purported United Nations document was false and that it had been circulated to a newspaper by a former UNHCR staff member mala fide.

57. The Investigations Section considers that a case which ends with the recommendation to clear the staff member highlights a function of the Section that is valuable, but often overlooked. Through its recommendation to clear staff members, the Investigations Section affords protection to those individuals who have been either wrongly accused or against whom sufficient evidence does not exist.

Through its recommendation to clear staff members, the Investigations Section affords protection to those individuals who have been either wrongly accused or against whom sufficient evidence does not exist.

2. Office for the Coordination of Humanitarian Affairs

58. OIOS continues to monitor the activities of the Office for the Coordination of Humanitarian Affairs and has scheduled an audit of the Office's field support services in the fourth quarter of 1999 and its operations in the Sudan in the first quarter of 2000.

3. Office of the United Nations High Commissioner for Human Rights

59. In response to a request from the Office of the United Nations High Commissioner for Human Rights, OIOS conducted a comprehensive audit of the operational and liquidation phases of the Human Rights Field Operation of the Office of the High Commissioner in Rwanda. The audit identified major problems in the Field Operation, including poor internal controls in areas such as financial management and reporting, procurement, personnel and vehicle and property management. There were also communications lapses between the headquarters of the Office in Geneva and the field. In addition, major deficiencies such as poor planning and property disposal discrepancies were encountered during the liquidation phase. OIOS made recommendations to improve the management of field operations and proposed that the lessons learned from its experiences in Rwanda be used to strengthen management controls in other missions.

60. The United Nations High Commissioner for Human Rights has already undertaken a series of measures to tighten administrative and financial controls of the field operations of the Office. The High Commissioner has established a task force to address all the structural issues raised in the report and she has also sought the advice and assistance of OIOS and the Department of Management in making sure that practices such as those found in the Human Rights Field Operation in Rwanda are not repeated. It is to be noted that the field operation in Rwanda was the first such operation established by the Office of the High Commissioner, in 1994, the first year of the establishment of the Office.

4. United Nations Relief and Works Agency for Palestine Refugees in the Near East

61. In a two-step investigative exercise in October 1998 and January 1999, the Investigations Section looked into 31 allegations of corruption in a field office. The investigation concluded that the evidence did not support the allegations and reported a finding of no endemic corruption in the field office. The Section's recommendations included the establishment of additional policies and procedures for inquiring into allegations impartially, expeditiously and transparently.

C. Procurement

1. Procurement reform

62. The status of procurement reform within the Organization has been the subject of intense scrutiny by the General Assembly, the Advisory Committee on Administrative and Budgetary Questions and member States. OIOS audits of procurement activities at Headquarters and offices away from Headquarters conducted during the reporting period have confirmed that continued progress has been made to addressing the major systemic issues identified by the December 1994 report of the High-Level Expert Group on Procurement Reform. The Administration has issued a new procurement manual, improved the training and career development programme for procurement personnel and has made inroads in developing a performance measurement system to improve the operational efficiency of the procurement process. During the year in review, OIOS made 59 recommendations on procurement and will continue to monitor developments in procurement.

2. Other procurement issues

Review of procurement-related arbitration cases

63. Pursuant to General Assembly resolution 52/226 A of 31 March 1998, OIOS reviewed procurement-related arbitration cases in its report of 1 March 1999 (A/53/843). Most of these cases stemmed from peacekeeping activities. Based on an analysis of five recent cases that were resolved through arbitration or settlement agreements, OIOS found that, although the disputes involved a relatively small portion of the goods and services procured for peacekeeping operations, they resulted in additional costs to the Organization, including staff resources, legal fees and interest payments. The claims by the contractors resulted mainly from unclear contract terms, which were sometimes accepted and subsequently changed by the field missions without consultation and review by the Headquarters Committee on Contracts and the Office of Legal Affairs, the absence of formal agreements and inadequate contract management in the field. Management agreed with the OIOS recommendations, which were aimed at reducing the risk of future claims against the Organization. A report of the Secretary-General on these issues is to be submitted to the Fifth Committee in October 1999.

Management of service and ration contracts

64. An OIOS audit of major service and ration contracts in five peacekeeping missions concluded that contract management had been hampered by the inadequate training of contract administration staff, incomplete formulation of statements of work and requirements and failure to clearly define in the contracts the responsibilities of both parties. Awarding of contracts was often delayed, making interim contractual arrangements necessary, sometimes at higher costs. This was the case in the United Nations Mission in Haiti (UNMIH), where approximately $7.7 million could have been saved had appropriate contractual arrangements been made on a more timely basis. Management explained that intervening events, including four meetings of the Headquarters Committee on Contracts, had significantly delayed the procurement process. Significant delays in awarding ration contracts at the United Nations Interim Force in Lebanon (UNIFIL), the United Nations Disengagement Observer Force (UNDOF) and the United Nations Peacekeeping Force in Cyprus (UNFICYP) also necessitated extension of the existing contracts at a greater cost than provided in the new contract. OIOS was also concerned about the low level of interest shown by potential bidders in providing contract services to peacekeeping operations.

65. In view of the difficulties experienced by missions in evaluating the performance of service contractors, OIOS recommended that the Department of Peacekeeping Operations develop standard operating procedures to guide missions in administering service and ration supply contracts. Moreover, establishing a civilian contract management unit within the mission would serve to centralize contract management and enhance coordination.

OIOS recommended that the Department of Peacekeeping Operations develop standard operating procedures to guide missions in administering service and ration supply contracts.

66. Late payment of contractors' invoices was a common problem. For example, the contractor providing rations for UNIFIL, UNDOF and UNFICYP was owed $3.25 million by these missions, even though only parts of the invoices were in dispute. Almost two years after the completion of UNMIH, approximately $1 million was owed to one of the service contractors. The failure to pay undisputed invoices promptly in accordance with contract terms has been one of the main reasons for arbitration cases and legal action against the Organization.

The failure to pay undisputed invoices promptly in accordance with contract terms has been one of the main reasons for arbitration cases and legal action against the Organization.

Investigations of aviation services

67. In 1996, a series of investigations and reviews were done concerning air charter contracts and operations in peacekeeping missions, resulting in four separate internal, interim reports. These reports, addressed to management in 1997, observed apparent violations by one air charter company and the companies it represented and made recommendations for corrective actions, including the recommendation that the Organization consider removal of the air charter company from the approved vendors list. The Organization generally accepted the recommendations and implemented them in 1998.

68. In late 1996, the air charter company filed an arbitration claim against the Organization charging that the Organization had not treated it fairly; a subsequent amendment to that claim, in mid-1997, included the additional claim that the investigation reports, which had been apparently leaked to the air charter company, were unfair to the company, which increased the amount of damages sought to approximately $50 million. The decision of the arbitral panel was issued in July of 1999. The decision, while very critical of the investigation reports, completely rejected the company's demand for damages and found no bias or animus to the company on the part of any United Nations officials or personnel. Those criticisms, in the view of OIOS, were not based on the evidence, but rather on a misunderstanding of both the nature of internal investigative activity and the scope and competence of the arbitral panel. Indeed, the panel seemed to be under the impression that OIOS had the authority to operate under police-type provisions, which caused them to inquire at one point if OIOS gave "Miranda warnings" or caution statements to all those interviewed. A review of the same reports by an experienced investigative firm found the reports and their methodologies to be sound. However, in response to the statements of the arbitral panel, OIOS has commissioned an independent review of the case.

D. Problems in establishing new bodies

1. International tribunals

International Tribunal for the Former Yugoslavia

69. The joint review with OIOS investigators and auditors of the International Tribunal for the Former Yugoslavia revealed that the three organs of the Tribunal, the Chambers, the Office of the Prosecutor and the Registry, were generally managed in an efficient and effective manner and good working relationships existed among them. However, a number of recommendations were made concerning areas that required improvement, such as cash management, accounts receivables, personnel management, procurement and asset management. The report pertaining to the review was submitted to the Secretary-General for transmission to the General Assembly.

International Criminal Tribunal for Rwanda

70. As part of its continuing oversight, OIOS conducted an audit of the International Criminal Tribunal for Rwanda in early 1999. Among other things, the audit followed up on the implementation of recommendations made in two prior OIOS reports to the General Assembly and assessed the adequacy of key internal controls. Overall, the audit indicated that the Tribunal had satisfactorily implemented a number of the recommendations and made other improvements in areas such as financial management and filling vacant positions. Special measures were also put into place by the Office of Human Resources Management, including the establishment of a task force to hasten the recruitment process. However, other recommendations were not implemented or only partially implemented.

71. The audit identified other matters requiring attention such as the need to establish controls over petty cash, limit the use of cash payments, and strengthen controls for management of the Tribunal's assets including vehicles, computers and radios, valued at $7.7 million. Improvements were also needed in areas such as procurement planning, personnel and space management, delegation of authority to Tribunal offices, travel, and in addressing the year 2000 computer problem and other information technology issues (see also paras. 87-89 below).

2. Secretariat of the Basel Convention

72. An audit of the secretariat of the Basel Convention revealed that the project accounting system was not functioning satisfactorily regarding the control and follow-up of payments and the generation of the financial

reports of projects. OIOS noted that the secretariat had no control over advance or final project payments. The major factor contributing to this situation was confusion as to whether the Basel Convention secretariat or the UNEP Programme Support Unit in Geneva had responsibility for the financial control of the Convention's projects. OIOS recommended that the Convention recruit an administrative/fund management officer to ensure that the projects are properly administered and accounted for. Management agreed and hired such an officer in early 1999.

E. Human resources management

1. General observations

73. Inefficient administrative procedures continue to impede the accomplishment of the Organization's substantive and operational objectives. The future success of key reform issues related to managerial empowerment and accountability will depend largely on specific elements of the implementation plan of the Office of Human Resources Management. These include the manner in which the performance appraisal system (PAS) will enable management to institute a performance-based culture (e.g., to effectively deal with under-performance and implement a performance awards system); and whether appropriate departmental human resource accountability measures can be developed and implemented. In order for human resources management reform to achieve its overall goals, the support and cooperation of the United Nations staff will be needed. The staff must also be willing to accept the major changes necessary to bring the Organization into line with the financial realities and professional demands facing it in the next millennium. Management indicated that action plans have been drawn up and agreed to by heads of departments for use as a monitoring tool and that work on rewards and streamlining of rules and procedures is also under way.

The staff must also be willing to accept the major changes necessary to bring the Organization into line with the financial realities and professional demands facing it in the next millennium.

2. Employment of retirees

74. By its decision 51/408 of 4 November 1996, the General Assembly established new conditions for the employment of retirees, and requested OIOS to carry out a compliance audit of the recruitment of retirees. A significant new condition set a ceiling of $22,000 ($40,000 for language service staff) on the amount retirees receiving United Nations pension benefits could earn in any calendar year. The employment of retirees was also limited to no more than six months in a calendar year.

75. The audit disclosed that there was no standard definition of "retiree" in the context of these conditions, which led to differing interpretations, particularly with regard to the question of whether the new policy prohibits the engagement of retirees for more than six months in a calendar year whether or not they receive monthly pension benefits.

76. OIOS concluded the employment of retired staff in the Secretariat should be closely monitored to ensure full compliance with the established policies and related instructions. OIOS recommended, *inter alia*, that: the relevant administrative instruction be revised to reflect the new policies and procedures adopted since its issuance; the hiring of retired language services staff be limited to those individuals employable locally; and that the new remuneration limits be applied consistently to all retirees receiving pension benefits. Management agreed with OIOS recommendations and the new administrative instruction on retention in service beyond the age of retirement and employment of retirees was issued on 1 June 1999 (ST/AI/1999/5).

3. Management audit of the United Nations Field Service

77. At the request of the Department of Peacekeeping Operations, a management audit of the United Nations Field Service, which included site visits to four peacekeeping missions, assessed whether the Service was fulfilling current United Nations operational needs and examined the adequacy of the decision-making processes for the recruitment and deployment of this category of staff. The audit, conducted in close cooperation with the Department of Peacekeeping Operations, identified a number of personnel and related issues, some of which were already being acted upon by the Department.

78. Among other things, the audit found that it was necessary to reduce the number of Field Service staff through such steps as placing a freeze on hiring, declining to extend appointments beyond retirement age and encouraging staff to accept voluntary retirement or separation. OIOS recommendations included: linking extension of fixed-term contracts to the availability of funding, establishing formal guidelines on staff rotation and mobility, re-assessing and updating the "parent duty station" concept and the original Field Service Officer qualifications

and updating and refining the proposed Field Service management strategy.

4. Personnel administration at the United Nations Compensation Commission

79. An audit of personnel administration at the United Nations Compensation Commission in March 1998 disclosed inconsistencies in post classifications, the determination of grades and steps for new recruits and application of criteria for promotion across various occupational groups and professional categories. The audit also identified measures to further improve the efficiency of their streamlined recruitment process. OIOS recommended, *inter alia*, that the Compensation Commission create an advisory body on appointment and promotion, with representation from the Personnel Service of the United Nations Office at Geneva; provide additional specialized training for the staff of the Personnel Unit of the Compensation Commission; clarify the delegation of authority to the Commission in personnel matters, including their authority to recruit at the P-5 level and above; and utilize exit interviews to assist in identifying and addressing problems which may lead to staff turnover. Management noted that staff at the Compensation Commission have been trained by the United Nations Office at Geneva and OHRM, and that an advisory body on appointment and promotion has been set up.

5. Management consulting activities

80. At the request of the Office of Human Resources Management OIOS performed a management consulting assignment to design two prototype brochures to simplify the descriptions of entitlements relating to education grants and hardship and mobility allowances. OIOS provided OHRM with the prototype brochures and a formal briefing describing the development process in February 1999. Management informed OIOS that OHRM was preparing a series of brochures intended to simplify the descriptions of various entitlements. These brochures will also be available electronically on the United Nations Intranet.

F. Managing information technology and the year 2000 problem

1. Managing the year 2000 computer problem

81. OIOS emphasized reviews of the Organization's management of the year 2000 computer problem. OIOS found that at the time of its initial review, not all of its clients were aware of the full scope of the year 2000 problem or fully compliant with best practices recommended by experts for dealing with the problem. The year 2000 problem could affect United Nations computer hardware and software, as well as utilities, communications and systems that rely on "embedded" computer chips (elevators, heating/cooling systems and the like).

OIOS found that not all of its clients were aware of the full scope of the year 2000 computer problem or fully compliant with best practices recommended by experts for dealing with the problem.

82. In February 1999, the Deputy Secretary-General established the Year 2000 Management Group and an interdepartmental task force known as the Year 2000 Implementation Team. OIOS participated as an ex officio member of the implementation team at Headquarters. It also reviewed the status of year 2000 activities at 23 offices, programmes and regional commissions away from Headquarters and made recommendations to raise awareness of the year 2000 problem and highlight the need for appropriate plans and actions to adequately address the problem. OIOS clients were also apprised of the need to consider contingency plans and other arrangements in the event that the problem should interrupt or incapacitate their operations. In addition, some clients requested consulting assistance to identify items that could be affected by the problem and to develop action plans to deal with the problem. Management indicated that the Year 2000 Management Group had clearly alerted the Organization to the problem and had overseen the development of corrective actions.

83. OIOS also undertook a consulting assignment to assist the International Computing Centre in assessing its preparations for the year 2000. Based on this work, OIOS provided the Centre with suggestions intended to accelerate the preparation process and minimize the impact of the problem.

2. Review of cost increases in the development contract of the Integrated Management Information System

84. Pursuant to General Assembly resolution 52/227 of 31 March 1998, OIOS conducted a comprehensive analysis of the reasons for the cost increases in the Integrated Management Information System (IMIS) development contract. The results of this review were reported to the General Assembly on 16 February 1999 (A/53/829).

85. OIOS concluded that, from its inception in May 1991 through January 1999, the cost of the IMIS development contract increased from $17 million to $45.7 million, or 169 per cent over the original contract cost. This increase was attributed to three major causes: incomplete or incorrect specifications ($11.0 million or 64.5 per cent); implementation and production support provided by the contractor ($8 million or 47.1 per cent); and software maintenance, also provided by the contractor ($9.7 million or 57.4 per cent). The cost increase due to incomplete or incorrect specifications was well within industry averages for similar software development contracts. With regard to the other two causes, the contractor had performed work that was not part of the original contract. Nonetheless, timely action to mobilize necessary resources internally could have resulted in some cost savings.

86. OIOS recommended ways to strengthen management and accountability of the remaining IMIS implementation tasks, including the integration of IMIS training into the Organization's overall training programme and identification of further opportunities for streamlining administrative processes through effective use of IMIS. The Administration agreed with these recommendations.

3. Information technology management at the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda

87. An audit at the International Tribunal for the Former Yugoslavia found that information technology resources were being applied efficiently, in line with the Tribunal's service and support requirements. However, the processes and procedures used to deliver services and support were informal. There were no modalities or methodologies in place for information technology planning, systems development or project management. The Tribunal also needed to establish methodologies to manage the year 2000 transition and to confirm that hardware, software and systems supporting courtroom operations and document management will operate properly.

88. OIOS found that the introduction of new software products to manage the help desk and monitor network performance at the Tribunal was appropriate and timely. The Office of the Prosecutor had established a mechanism for sharing processes, modalities and systems with the Prosecutor of the International Criminal Tribunal for Rwanda. However, similar mechanisms had not been established between the Registry organs. The Registry of the International Tribunal for the Former Yugoslavia informed OIOS that it was making concerted efforts to cooperate with the International Criminal Tribunal for Rwanda in areas including courtroom support, library services, archives and inter-tribunal communications technology.

89. An audit of information technology management at the International Criminal Tribunal for Rwanda found that the Tribunal encountered problems in achieving its overall objectives due to the difficulties in attracting sufficient qualified information technology staff. The International Criminal Tribunal for Rwanda is located in a remote location and its communications and power systems are unsophisticated, making the implementation of information technology a significant challenge. OIOS recommended that the Tribunal analyse the critical functions to be supported by information technology and develop an information technology plan geared to finding alternative solutions to the technical requirements of the International Criminal Tribunal for Rwanda. Outsourcing, remote processing of applications, out-posting and sharing efforts with the International Tribunal for the Former Yugoslavia and Headquarters should be considered to work around staffing shortages and to provide quality and timely support.

4. Audit of information technology management at the United Nations Office at Nairobi

90. The audit identified information technology problems at the United Nations Office at Nairobi in areas considered by the information technology industry as essential to effective organizations. Since the United Nations Office at Nairobi was finalizing the integration of the previously separate administrative and support operations, OIOS recommended that it reassess the information technology management approach and infrastructure and create a master business plan identifying the software, technology, budget, training and strategies needed to efficiently achieve goals and objectives of the United Nations Office at Nairobi, UNEP and the United Nations Centre for Human Settlements.

III
Summary of major activities by oversight function

A. Audit and management consulting

1. General developments

91. Audits conducted by the Audit and Management Consulting Division of OIOS and its offices in Geneva and Nairobi covered the activities of the Secretariat, including administrative support operations; peacekeeping missions; the United Nations Offices at Geneva, Nairobi and Vienna; the United Nations Office of the Coordinator for Humanitarian Assistance in Iraq; the field operation of the Office of the United Nations High Commissioner for Human Rights in Rwanda; the United Nations International Drug Control Programme projects in Thailand, China and the Netherlands Antilles; the Centre for International Crime Prevention and its International Advisory, Scientific and Professional Council; UNEP and its Regional Office for West Asia and Regional Coordination Unit for the East Asian Seas; the Fukuoka and Rio de Janeiro regional offices of the United Nations Centre for Human Settlements (Habitat); the United Nations Compensation Commission; and the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda. Audits were also conducted at the Economic and Social Commission for Western Asia (ESCWA), the Economic Commission for Latin America and the Caribbean (ECLAC) and its subregional headquarters for the Caribbean, and the Economic Commissions for Africa and Europe. Audit activities at the Office of the United Nations High Commissioner for Refugees have been summarized in paragraphs 39 to 55 above.

92. The Division's work was guided by annual and medium-term audit plans, which apply risk assessment formulas to the entire group of United Nations entities to be audited by OIOS. These plans also help to ensure that all parts of the Organization are normally audited on a cycle of no more than four years, with high-risk operations being audited more frequently. During the period from 1 July 1998 to 30 June 1999, the Division audited assets of $308 million, income of $75 million and total expenditures of $726 million. These audits identified approximately $33.8 million in potential savings and about $23.2 million in savings and recoveries were realized from actions recommended during this and prior periods. In addition to monetary savings, OIOS audits have resulted in improvements in the overall administration and management of the United Nations Secretariat as well as a strengthened internal control environment. The Division has continued to emphasize management audits and consultancies as a means of proactively assisting management in the discharge of its responsibilities. Moreover, OIOS has reported to the General Assembly on its major findings and recommendations on such topics as staff health insurance programmes, employment of retirees, procurement-related arbitration cases and IMIS cost increases.

The Division has continued to emphasize management audits and consultancies as a means of proactively assisting management in the discharge of its responsibilities.

93. During the period, the Audit and Management Consulting Division opened 100 audit assignments:

Headquarters section	13
Peacekeeping section	21
Information technology section	4
Management audit and consulting section	8
European section	17
African section	14
UNHCR audit section	23
Total	**100**

The Division issued 83 audit reports to senior management and five reports to the General Assembly. In addition, over 150 audit observations and other communications were issued. The 744 key recommendations in the audit reports were distributed in the following functional areas:

Cash management	23
Payroll/personnel	120
Travel and transportation	53
Accounting/budgeting/financial reporting	140
Procurement	64
Property management	88
Programme/project management	85
Information technology systems	92
General administration and management	79
Total	**744**

94. The Division operated with a vacancy rate of about 10 per cent, notwithstanding its vigorous recruitment and promotion activities during the period (OIOS is operationally independent in personnel matters). As of 30 June 1999, the Division had filled 54 of its 60 Professional posts. Women held 14, or 26 per cent, of the 54 encumbered Professional posts as of 30 June 1998, including the positions of Director and two posts at the level of chief of section. OIOS is still in the process of filling several vacancies in the Division.

95. The Division undertook a comprehensive self-assessment during the year, in areas including career development, audit quality assurance and strategic planning. It also established a staff recognition programme and presented its first awards to staff members in recognition of their superior performance and contributions to the goals of OIOS. The Division continued to provide staff with on-site audit training focused on technical skills development and individual training in areas such as computer applications. Audit staff also participated in a number of conferences and seminars sponsored by professional associations. In the fall of 1999, the Division will be the subject of an audit by the Board of External Auditors.

2. Significant findings and recommendations

Headquarters telecommunications system

96. The telecommunications system at Headquarters is a common service funded from the regular budget. For long distance calls, the United Nations uses three major long distance carriers. At the end of each month, itemized invoices are received and paid by the United Nations. The audit revealed, however, that the system for allocating charges to the various departments and offices used rates that were higher than those charged by the long distance carriers. OIOS also found that incomplete long distance calls and facsimile communications were charged as completed calls. These practices resulted in a surplus of approximately $8.5 million in the related budget and allotment accounts for the biennium 1996-1997.

The system for allocating charges to the various departments and offices used rates that were higher than those charged by the long distance carriers.

97. Since the surplus was not budgeted for, OIOS questioned the propriety of using higher internal rates to recover long distance charges from individual departments and staff members and the practice of charging for incomplete calls. OIOS also questioned the use of the surpluses generated by these billing practices. While OIOS was able to trace the expenditure of the surplus to purchases of telephone and related equipment and services, it was concerned that such procurements were not budgeted for and, therefore, represented unauthorized use of the surplus funds. OIOS recommended that the Department of Management take action to assure that only actual costs of telephone calls are recovered from users and that needed equipment and services to support the telephone system be specifically budgeted for in the future. Management informed OIOS that steps have been taken to address its recommendations in this area.

United Nations health insurance programme

98. The United Nations health insurance programme has eight separate insurance plans, six of which are administered by Headquarters. For the biennium 1996-1997, the eight plans cost approximately $251.7 million, an amount which was funded from staff payroll deductions and contributions from the Organization. The OIOS audit revealed that even though two plans in the programme are run on a self-insured basis, plan administrators had input into many critical decisions such as recommending the level of premiums to be paid by staff members. OIOS concluded that the number of plans under the programme was excessive and contributed to the difficulty of administration and control. The audit also noted shortcomings in the manner in which the programme's income, expenditures and reserves were reported in the Organization's financial statements.

OIOS concluded that the number of plans under the health insurance programme was excessive and contributed to the difficulty of administration and control.

99. OIOS performed a comparative analysis of the various plans and noted that there were no uniform criteria for such elements as the maximum amount reimbursable under the plans nor a uniform policy regarding the treatment of staff members on temporary appointment. OIOS recommended that the programme be restructured to make it more equitable and easier to control and that financial reporting practices be modified to make the reporting of reserves more transparent.

United Nations Joint Staff Pension Fund

100. In accordance with arrangements made with the United Nations Joint Staff Pension Board, OIOS has been providing continuous internal audit services to the United Nations Joint Staff Pension Fund since 1996. Audit observations and

recommendations are submitted for action to the Chief Executive Officer of the Fund, and a report, including major findings, recommendations and corrective actions taken, is submitted biannually to the Board. The first such report was submitted to the Board in June 1998.

Subregional headquarters for the Caribbean of the Economic Commission for Latin America and the Caribbean

101. The ECLAC subregional headquarters for the Caribbean, in Port of Spain, manages programme funds totalling approximately $4.1 million per biennium. The OIOS audit of this office raised a number of issues, including the arrangement between ECLAC and the Caribbean Council for Science and Technology under which ECLAC performs secretariat functions for the Council. The audit noted, and ECLAC agreed, that the staff member who serves as the Council's secretary operated independently of the ECLAC subregional headquarters. OIOS recommended modifications in the relationship to remedy the above situation and to review available alternatives. These included the possibility of the Council operating entirely on its own. The audit also noted weaknesses in programme monitoring and implementation and in the engagement and remuneration of consultants. Management agreed to review these problems and take corrective action.

Executive offices

102. A management audit of executive offices examined the roles and responsibilities, organizational structure, staffing and operating efficiency of executive offices in five departments and offices at Headquarters. The audit also assessed the impact of the Integrated Management Information System (IMIS) on their operations. Overall, the audit showed that executive offices generally added value, and that there was no compelling reason to change their organizational structure or location in the immediate future. Nonetheless, OIOS observed that these offices do represent a layer of bureaucracy not generally found in other public organizations. In addition to recommending a series of steps for improving the utilization of IMIS in executive offices, OIOS proposed a number of improvements intended to enhance executive office operations, information sharing and self-assessment. These included developing service delivery benchmarks and targets and self-assessment techniques such as "customer satisfaction" surveys.

103. Although the executive offices agreed with the majority of OIOS recommendations, they believed that the audit did not adequately address certain key issues regarding their role and interaction with the central administration. As a result, OIOS offered to facilitate a series of interactive sessions to address these concerns.

Economic Commission for Africa

104. An OIOS audit of the Economic Commission for Africa (ECA) revealed a number of accounting system weaknesses, including those arising out of the implementation of the Sun accounting system software and the failure to reconcile general ledger balances before they were transferred to the Sun accounting system. The audit observed that there had been a lack of support from the Accounts Division at Headquarters during the installation of the Sun system and recommended that an independent assessment be made of the system's operation.

105. The audit noted that 14 posts in the administrative divisions of ECA were vacant, including the Chief of the Conference and General Services Division. Vacancies in key positions undermined the overall control environment in ECA, and OIOS therefore recommended that appropriate action be taken to fill the vacant posts. The audit also revealed that there was a lack of control over bank accounts and that bank reconciliations had not been performed on a timely basis — some items to be reconciled dated back to as early as 1992. Management informed OIOS that, following its recommendations, the vacancy rate at ECA has been reduced substantially.

United Nations International Drug Control Programme

106. An audit of the United Nations International Drug Control Programme (UNDCP) outputs for the biennium 1996-1997 revealed that the centralized work planning and monitoring system had limited practical relevance and was not fully applied by programme managers. In light of the OIOS report, UNDCP had decentralized its work planning and instituted a regular performance review in accordance with the joint OIOS-Department of Management guidelines for programme monitoring and evaluation. UNDCP also informed OIOS that its offices would henceforth be required to identify performance indicators, track implementation progress and report achievements and major work plan modifications to the Office of the Executive Director.

In light of the OIOS report, UNDCP decentralized its work planning and instituted a regular performance review.

107. The audit of a demand reduction and drug abuse prevention project in the Netherlands Antilles showed that the project was generally achieving its objectives. Nevertheless, financial management and reporting were inadequate and rendered the project accounts unreliable. Transactions totalling $198,600, or 77 per cent of disbursed UNDCP funds, could not be properly accounted for and deficiencies in financial monitoring resulted in delays in verifying and finalizing government disbursement reports.

108. The audit of a project for the reduction of illicit drugs and narcotics in Yunnan province in China, disclosed that two of the four project objectives were reformulated and substantial changes were made to two outputs without revising the project document or obtaining approval from UNDCP headquarters. There was also an overall lack of accountability for non-expendable project equipment, which included more than 100 vehicles provided to the national counterpart.

109. UNDCP management agreed with the OIOS recommendations and implementation of most of the recommendations is ongoing.

Publications sales and marketing activities of the United Nations Office at Geneva

110. An audit of the Sales and Marketing of Publications Section of the United Nations Office at Geneva showed that, although there were 117 countries in its three sales regions, the Section only had distributors in 31 countries: 23 in Europe, five in the Middle East and three in Africa. Furthermore, the net income from publications sales had not increased over the past several years. The audit identified several factors that appeared to be limiting progress in generating revenues and disseminating information. These included the lack of strategic planning, inadequate promotional, pricing and sales strategies, poor training and the failure to keep abreast of market and industry developments. The audit also identified a number of internal control weaknesses and problems relating to storage and warehousing, returns and collection of accounts receivable.

Telecommunications services at the United Nations Office at Geneva

111. An audit found that telecommunications services at the United Nations Office at Geneva were generally used efficiently, primarily because of a proactive approach and constant technological improvement by the Administration of the Office. However, OIOS identified the need for improvements in areas including re-engineering of operations, training and redeploying excess staff. Also, the fact that the Office was not involved in arranging for the United Nations telecommunications network had resulted in the imposition of disadvantageous rates for Geneva users. OIOS recommended that the United Nations Office at Geneva seek to negotiate lower rates with Headquarters and re-examine the rates charged to its users. OIOS further recommended that the Office at Geneva: charge users outside the common services system for local calls; seek participation by other Geneva-based organizations in a global contract to obtain lower commercial rates; standardize equipment purchases; improve oversight of telecommunications expenses; and improve the accuracy of billing and recording procedures.

Centre for International Crime Prevention

112. An audit of the Centre for International Crime Prevention showed that internal controls were generally adequate, but that utilization of existing resources could be improved. Also, better communication and coordination between administrative and substantive offices was needed to ensure efficient operations and timely processing of transactions. The audit identified several deficiencies including poor planning and monitoring of activities and resources; incurring expenditures prior to receipt of contributions; excessive and/or unauthorized expenditures for grants, travel and meetings; long outstanding obligations and uncollected receivables; lack of proper travel authorizations; and exceptions to competitive bidding procedures. Problems in the personnel area included staffing levels that exceeded the approved staffing table and frequent borrowing of staff and posts for long periods without proper authorization. During the period since the audit, the Centre has been taking remedial action and has advanced the implementation of most of the audit recommendations.

Management of conference centres of the Economic Commission for Africa and the Economic and Social Commission for Asia and the Pacific

113. A management audit of conference centres at the Economic Commission for Africa (ECA) and the Economic and Social Commission for Asia and the Pacific (ESCAP) focused on their usage levels and the obstacles to increasing utilization and cost-recovery rates. The high cost and underutilization of these conference centres pose continuing problems for the Organization. OIOS found that the physical capacity requirements of these facilities had been vastly overestimated, and that major meeting rooms at both centres were empty between 60 and 85 per cent of the time. ESCAP and ECA management have been operating the facilities in

isolation, as an adjunct to their substantive work programmes, with little operational guidance or support from Headquarters.

The high cost and underutilization of these conference centres pose continuing problems for the Organization. OIOS found that the physical capacity requirements of these facilities had been vastly overestimated.

114. Despite the increasing financial burden these centres impose on the Organization, low priority was given to improving their utilization and management. Neither centre had been established as a revenue-producing operation and no resources had been allocated for promoting and marketing the centres within or outside of the United Nations system.

115. In addition to suggesting specific operational improvements, OIOS recommended that: ESCAP develop a comprehensive marketing proposal for its conference centre; ECA finalize its marketing cost plan and assess the feasibility of enhancing its conference facilities; and that both Commissions, in cooperation with the Department of General Assembly Affairs and Conference Services, formulate a plan to promote using the conference centres for major United Nations meetings and conferences.

United Nations Office at Nairobi

116. An audit of accounts receivable at the United Nations Office at Nairobi identified various accounting errors and other shortcomings, which involved more than 150 separate accounts totalling $1.5 million, or some 20 per cent of the $7.6 million balance as at 31 May 1998. OIOS found that the $7.6 million balance was understated by $700,000. Offsetting this amount were 11 accounts totalling $300,000, representing payments received but not recorded in the accounts.

117. The efforts by the United Nations Office at Nairobi to remedy the situation were hampered by a large backlog of unanalysed receivables, a weak accounting system, inadequately trained staff and the absence of comprehensive procedures and user documentation. In response to the OIOS recommendations, the Office established a team to review the accounts receivable problems and hired a consulting firm to assist in this endeavour.

118. An audit of attendance and leave practices revealed a number of shortcomings stemming from the cumbersome nature of the system and the staff's lack of familiarity with the rules. OIOS assisted the Office in developing a new leave reporting system and stressed the need to ensure that all levels of staff are made aware of the rules and their responsibilities.

United Nations Environment Programme Regional Office for West Asia

119. The OIOS audit of the UNEP Regional Office for West Asia found that there had been considerable improvement in the financial and administrative areas since the last audit in 1995 as a result of enhanced operating procedures implemented by the new Director. OIOS noted improvements in the recording of attendance and leave, certification and approval of expenditures and the maintenance of inventory records and the consultants' roster.

120. OIOS highlighted the need for a formal host country agreement with the Government of Bahrain specifying all of the terms and obligations among the parties, consistent with the treatment of other United Nations agencies in Bahrain. OIOS also recommended that UNEP update the current memorandum of understanding with the United Nations Development Programme (UNDP) in Bahrain concerning the provision of financial and personnel services. UNEP management stated that both the host country agreement with Bahrain and the revised memorandum of understanding with UNDP would be in place by the end of 1999.

United Nations Centre for Human Settlements (Habitat) regional offices

121. OIOS audits of the two principal regional offices of the United Nations Centre for Human Settlements (Habitat) revealed that they were operating within the terms of the delegated authority from the United Nations Office at Nairobi. However, the effectiveness of this delegation is dependent on an accurate and timely exchange of information between the Office at Nairobi and the regional offices. The audit noted that there were no service agreements in place between the Office at Nairobi and the offices dealing with timeliness and accuracy of information and that it was possible to strengthen the Host Country agreement and the management of assets.

3. Status of ongoing audits requested by the General Assembly

122. All audits conducted pursuant to General Assembly resolutions 52/226 and 52/227 of 31 March 1998 have been reported to the General Assembly.

B. Investigation

1. General developments

123. The Investigations Section's resources were devoted to the principle of accountability by making recommendations aimed at holding responsible those whose conduct evidenced violations of United Nations regulations and rules, or of national laws, while clearing those against whom unsupported allegations were made. In addition, the Section's activities also included proactive investigations in areas where a risk of fraud was assessed to be probable, such as education and personal security grants.

124. The Section's major activities varied widely in type, focus and scope, ranging from operational reviews to administrative inquiries to criminal cases. For example, the Section established evidence of fraud in the UNMIBH travel office, with an estimated loss to the Organization of at least $1 million; investigated allegations of endemic corruption in UNRWA, which were found to be unsubstantiated by the evidence; examined a project involving electronic commerce in the United Nations Conference on Trade and Development (UNCTAD); completed the first investigation at a regional commission; and reviewed the operations of the International Tribunal for the Former Yugoslavia. In addition, the Section initiated and hosted the first Conference of Investigators of the United Nations system. Participants included the United Nations Children's Fund (UNICEF), UNDP, the United Nations Industrial Development Organization (UNIDO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and UNHCR. Topics discussed included due process, investigative practices and interacting with clients.

125. As in previous years, the Section continues to be actively engaged with national criminal jurisdictions in the prosecution of those who have committed criminal acts against the Organization. This year, the Investigations Section has assisted in criminal proceedings on four continents. Such demands strain the limited resources of the Section, which has a caseload of more than 950 cases.

As in previous years, the Section continues to be actively engaged with national criminal jurisdictions in the prosecution of those who have committed criminal acts against the Organization.

126. It is also important to note that in this reporting period, the Section completed investigations of 31 allegations which were found to be bona fide, but which were not proven by the available evidence. Consequently, the accused individuals were cleared.

127. During the reporting period, the Section received 247 reports and suggestions, as provided for in the Secretary-General's bulletin ST/SGB/273 of 7 September 1994 (paras. 16 to 18), compared with 173 in the prior reporting period, a 43 per cent increase. However, the staffing level of 15 for the Investigations Section remained the same as in the previous reporting period, with 12 staff members based at Headquarters in New York and three staff members based in Nairobi.

The Section has experienced a 43 per cent increase in reports received over the previous reporting period.

128. In the course of the reporting period, the Section produced 33 reports and communications to programme managers, which detailed the results of inquiries: this represents an average of one report every 11-calendar days. The trend for programme managers to seek the assistance of the Section has continued. In addition, the advice of the Section is frequently sought by colleagues in other oversight offices in the United Nations system and outside of it.

Geographical distribution of Investigations Section cases:

	Number of investigations	*Percentage of change since last reporting period*
The Americas (including Headquarters)	95	+22
Europe	54	+42
Africa	41	+58
Asia	11	–45
Middle East	46	+318
Total	**247**	**+43**
of which:		
Concerned operational funds and programmes	78	+66
From anonymous sources	31	+24
From the hotline	17	+183

2. Significant cases

United Nations Relief and Works Agency for Palestine Refugees in the Near East (see para. 61 above)

United Nations Conference on Trade and Development

129. The Section examined the important issue of United Nations-private sector partnerships in the context of the worldwide growth of the Internet and the growing interest in electronic commerce. Investigators uncovered extensive and unauthorized solicitation of funds and resources and unauthorized commercial agreements with private sector interests. The investigation also disclosed that partnership arrangements with private sector interests were negotiated and entered into, purportedly on behalf of the interests of the United Nations, without competition or authorization by UNCTAD senior management. Recommendations to management were designed to address the abuses.

130. The issues raised by the electronic commerce case are emblematic of the growing complexity of the internal oversight issues faced by the Organization, with potential for wrongdoing being manifested in new domains and nascent fields of operation.

The issues raised by the electronic commerce case are emblematic of the growing complexity of the internal oversight issues faced by the Organization, with potential for wrongdoing being manifested in new domains and nascent fields of operation.

International Tribunal for the Former Yugoslavia (see para. 69 above)

Travel fraud case, United Nations Mission in Bosnia and Herzegovina (see paras. 33-37 above)

Acceptance of favours by a staff member of the United Nations Mission in Bosnia and Herzegovina (see para. 38 above)

Allegations of fraud against the Office of the United Nations High Commissioner for Refugees (see para. 56 above)

Education grant and dependency allowance fraud

131. On the basis of its examination of dependency allowance and education grant claims, the Department of Peacekeeping Operations noted irregularities in claims filed by two staff members and requested the assistance of OIOS in investigating the matter fully. The case involved two Field Service officers, husband and wife, who had submitted questionable education grant and dependency benefit claims. Both staff members claimed dependency entitlements for a total of six children.

132. Officials of the schools that the children were alleged to have attended confirmed that documents submitted by the staff members, and relied upon by the Organization in making payments, contained forged signatures; inflated costs; and falsified school stamps. In most cases, the schools listed were not even those that the children had actually attended. The couple attempted to obtain by fraud a total of $222,345 during the period from 1991 to 1998. The total amount wrongfully received by them was $195,920.

133. The husband resigned from the Organization during the early stage of the investigation and, therefore, was not disciplined. The wife was summarily dismissed from the Organization.

134. OIOS is studying various options to pursue this matter with a view to recovering the fraudulently obtained funds and bringing the former staff members to justice.

Economic Commission for Africa cheque fraud case

135. In 1997, two staff members at the Economic Commission for Africa were involved in falsifying Commission cheques and fraudulently obtaining over $30,000 from the Organization. The false cheques were made by duplicating the names of previous payees. All the payment vouchers supporting the forged cheques were approved by one of the staff members without certification by the certifying officer, contrary to the procedures in United Nations Financial Regulations and Rules. After both staff members endorsed the cheques, one of them discounted the cheques for cash to the other staff member, who subsequently deposited the forged cheques in his bank account. Corrective actions have been recommended and accepted.

Proactive case — personal security grants

136. The OIOS Nairobi office investigated six cases of possible fraud in the area of security entitlements. The investigation revealed that the procedures for security claims were inefficient and cumbersome. Additionally, even with the requirement that staff members provide voluminous supporting documentation for security claims, fraud was not prevented. The United Nations Office at Nairobi has agreed to implement the OIOS recommendations and is at present seeking approval from New York to establish new procedures. As a result of the OIOS investigations, the Office is seeking reimbursement of monies paid out to staff members under false claims and is pursuing resolution through the United Nations disciplinary process.

137. The Investigations Section was requested by UNDP to undertake an investigation into procurement irregularities

identified by the UNDP internal auditors in the reserve for field accommodation expenditures made for a $50 million building programme. The Investigators conducted extensive field investigations and uncovered further evidence of fraud on the part of the primary consultant and a UNDP official responsible for the programme. The value of the loss to the Organization by the fraud is conservatively estimated at approximately two million dollars. As a result of this investigation, the Administrator fully supported the recommendation that the case be referred to the relevant United States authorities. In addition, he dismissed the UNDP official involved. An indictment was issued by the United States authorities, and the former staff member was arrested. Efforts to extradite the consultant have been unsuccessful. In cooperation with UNDP and the Office of Legal Affairs, the Section has been assisting the United States authorities and pursuing options to recover the lost funds. The case is pending.

C. Inspection

1. New inspections

Common services of the United Nations

138. The expansion and strengthening of common services was one of eight strategies in the Secretary-General's new vision for management in his programme for reform (A/51/950). Specifically, the Secretary-General requested a review of major support services as a measure to strengthen existing common services and to expand the provision of services on a consolidated basis where this can result in more effective and efficient services. The objective would be to assure that support services are cost-effective, high-quality and timely, and result in client satisfaction.

139. An OIOS inspection was conducted at Headquarters and at the United Nations Offices at Geneva and Vienna to review progress achieved in strengthening common services in the areas identified in the Secretary-General's report, namely, procurement; information technology and telecommunications; the Integrated Management Information System; personnel services, including medical services; financial services, including banking, treasury and payroll; legal services; transportation and traffic operations; security and safety services; facilities management; printing facilities; and archives and records management. The inspection also assessed efforts to improve the effectiveness and efficiency of the support services of the United Nations in those same areas. The inspection confirmed that the Secretary-General's reform measures gave new impetus to the need to seek cost-effectiveness through possible expansion of common services. Experience has proven that while common arrangements involving direct provision of services (e.g., payroll, pouch, visas), are more easily acceptable to users and providers, there is reluctance to share processes requiring managerial decision-making, such as recruitment services.

140. The implementation of the Secretary-General's common services strategy is evolving in an interactive environment among the United Nations and the funds and programmes in New York. All parties are striving to find areas of joint collaboration while keeping their individual mandates intact. The Task Force on Common Services created working groups for specific areas, adopted plans of action for each of those areas and engaged in implementing those plans. In keeping with a collaborative approach, the working groups are chaired by representatives of the United Nations, UNICEF, the United Nations Population Fund (UNFPA), the United Nations Office for Project Services and UNDP. Tangible efforts are under way within the technical working groups, to achieve the desired results set out by the common services project strategy in New York. Major progress is particularly evident in procurement, travel and transport, IMIS and archives/records management. Work is also under way to establish an evaluation framework in order to develop performance measurement indicators for common services activities in New York. It is expected that this process would strengthen common services activities as well as central service functions. The continued intervention and support of the senior executive level of all participating common services organizations will be required. The OIOS report underscores the importance of including the United Nations Offices at Geneva and Vienna in the overall implementation strategy, and keeping the other overseas duty stations informed of lessons learned and best practices identified.

The OIOS report underscores the importance of including the United Nations Offices at Geneva and Vienna in the overall implementation strategy, and keeping the other overseas duty stations informed of lessons learned and best practices identified.

141. The report recommends that delegation of authority to programme managers and the decentralization of monitoring and policy functions to the United Nations Offices at Geneva and Vienna, which are crucial factors in enhancing the efficiency and timeliness of support services, be urgently acted upon by the Department of Management.

142. The report provides recommendations aimed at enhancing central support services and removing some of

the barriers to the expansion of common services, namely, differing mandates from the intergovernmental bodies of the organizations of the United Nations system; the system's culture of "turf protection" and a lack of faith among organizations that one organization will protect the interest of the others equitably; and the lack of interaction and communication among heads of organizations. The Task Force on Common Services has promoted a collaborative approach, which has created more openness on the part of the United Nations and the participating agencies in New York to the question of common services. Equally important, a successful expansion of common services and enhanced support services requires individual staff members and programme managers in all sectors of the Organization to take the initiatives and risks required to effect change. Furthermore, if the concept of common services is to become a reality in the United Nations system, Member States also need to reinforce their commitment to cost-effectiveness in the system through unified positions in the intergovernmental mechanisms of each organization.

The report provides recommendations aimed at enhancing central support services, and removing some of the barriers to the expansion of common services.

2. Ongoing monitoring of implementation of recommendations

International Trade Centre

143. The International Trade Centre had, as at 31 December 1998, implemented all of the 14 OIOS recommendations contained in the report of the inspection review issued in June 1997 (A/53/933). Recommendations implemented include a clear identification of the functional responsibilities, authority and accountability of programme managers in the official issuance of guidelines on delegation of authority. Joint evaluation work is being undertaken with the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD).

Crime Prevention and Criminal Justice Division

144. The Crime Prevention and Criminal Justice Division has taken necessary steps towards the implementation of the recommendations issued in January 1998. Of the 15 recommendations issued, 11 have been completed and the remaining four are in progress.

145. In line with the recommendations, the Executive Director reported that periodic meetings are being held with senior staff of the Office for Drug Control and Crime Prevention and the Strategy Committee on Drug Control and Crime Prevention, as well as individually with the officer in charge and other senior staff members of the Centre for International Crime Prevention to provide guidance and strategic direction. He is also pursuing with key delegations the establishment of a donor group for crime prevention activities.

146. The Division has established a system for self-monitoring and self-evaluation to enable the Executive Director to exercise his oversight responsibility. The system will track the progress of programme implementation, following standard reporting procedures.

147. The restructuring of the Crime Prevention and Criminal Justice Division took into account the need to focus on priorities such as organized crime control, anti-corruption, reinforcement of technical cooperation, analysis and the servicing requirements for the meetings of the Commission. Measures are being taken to direct the services of the interregional advisers towards the provision of technical assistance to Member States. In the newly restructured Division, the Deputy Director has been involved in implementing activities under the operational activities, planning and overall coordination subprogramme, which was designated as high priority by the General Assembly.

148. The Commission has streamlined its agenda and decided to exercise self-discipline with regard to requests for documentation, in compliance with the recommendation that parliamentary documentation be critically examined in order to reduce the volume of documentation.

149. Efforts are under way to build a more effective collaborative relationship with the United Nations network of institutes that deal with crime. However, improvements to the institutional arrangements under the existing system would not be possible without additional resources.

3. Inspectoral visits by the Under-Secretary-General for Internal Oversight Services

150. During this reporting period, in addition to his regular working stays in Geneva and Vienna, the Under-Secretary-General for Internal Oversight Services paid inspectoral visits to the United Nations University in Tokyo, in September 1998 and to the Economic and Social Commission for Asia and the Pacific (ESCAP), in Bangkok, in June 1999. Such visits are meant to demonstrate the interest of OIOS in duty stations away from Headquarters, to review compliance with recent OIOS recommendations and to assist and advise the Secretary-General in his managerial responsibilities for United Nations activities

outside of New York. In this regard, the Under-Secretary-General has submitted short and informal reports to the Secretary-General, which are recapitulated in the following paragraphs.

United Nations University

151. After more than two decades of existence, the United Nations University is at a crossroads. A critical review of its structure and operating methods as well as its role and mission within the United Nations family are called for. The current leadership has taken up this challenge and initiated change and adjustments.

152. Over the past ten years, the United Nations University has proliferated, through the creation of eight research and training centres and programmes worldwide, but this development, which occurred without a master plan, has resulted in the erosion of the academic lead role and coordinating power of the central office in Tokyo. As a consequence, the ability of the University to cater to the operative needs of the Organization diminished: it was in danger of losing its relevance as a United Nations think-tank. Under the new Rector, the headquarters of the University is engaged in regaining its coordinating authority and becoming more client-oriented, also systematizing and intensifying its service function in administrative matters for the branch institutes. Another challenge for the Rector is to strike the right balance between catering to the legitimate interests and expectations of the host countries of the University, in particular Japan, and the academic independence and worldwide mandate of the University, in particular its obligation to reach out to the developing countries.

153. The General Assembly, the Secretariat and the Governing Council of UNESCO should take a more than general interest in the University and its work and make full use of its academic potential.

Economic and Social Commission for Asia and the Pacific

154. The Economic and Social Commission for Asia and the Pacific, out of all the regional commissions, covers the largest and most diverse geographical area, including countries huge and tiny, highly developed and least developed, landlocked and small island States.

155. Consequently, many of the issues with which the Commission grapples are subregional rather than regional in nature: trying to satisfy the needs of its entire membership is a daunting task, the danger of spreading too thin is evident. Reform efforts are under way to give the Commission better focus, to emphasize its coordinating role and strengthen the pragmatic aspects of its work, such as training, fostering of joint subregional projects, promoting exchange of experience and expertise, capacity-building and advocating good governance. However, given the diversity which is also manifest in the supervising body of the Commission, change does not come easily or swiftly.

156. The secretariat of the Commission needs to intensify in-house horizontal communication; Headquarters in New York must do more to address the perception in the Economic and Social Commission for Asia and the Pacific, as in other regional commissions, that their contribution to the Organization is not adequately appreciated.

D. Monitoring

157. In response to concerns raised by the Committee for Programme and Coordination at its thirty-eighth session on the need to place more emphasis on qualitative analysis in future programme performance reports, the Central Monitoring and Inspection Unit prepared a report on "Ways in which the full implementation and the quality of mandated programmes and activities could be ensured and could be better assessed by and reported to Member States" (A/54/117).

158. The report pointed out that a logical starting point for examining qualitative measures would be to identify the relationship between the activities of the United Nations and the objectives set forth in the medium-term plan and the programme budget. This would mean that in programme budget submissions, the Secretariat would give an indication of the desired outcomes, and the intended benefit to end-users, which would be attained through the delivery of outputs. Such outputs would in turn lead to the fulfilment of subprogramme objectives. The report maintains that the current classification system of services and outputs provided by the United Nations does not permit a connection between outputs and outcomes, since the relationship is not built into the classification scheme for outputs. On the basis of this analysis, the report stresses the importance of linking the quality of programme performance to the quality of the medium-term planning and programme budgeting.

159. The report proposed, for consideration by the Committee, three options that OIOS believed would assist the Committee for Programme and Coordination in assessing the quality, relevance and usefulness of the outputs produced by the Secretariat and how they have contributed to the achievement of objectives set out in the medium-term plan. Those were: first, mandating the specialized

intergovernmental bodies that oversee each programme with the responsibility for making judgements about the quality of programme performance; second, changing the timing of the programme performance report so that it would be presented as part of the review of the programme budget proposals; and, third, requiring programme managers to be specific in their programme budget proposals about what they intend to accomplish with the resources provided to them during a given biennium.

The report proposed three options which OIOS believed would assist the Committee for Programme and Coordination in assessing the quality, relevance and usefulness of the outputs produced by the Secretariat.

160. The Committee requested the Secretary-General to further explore ways in which the full implementation of mandates could be ensured and better assessed, in accordance with General Assembly resolution 53/207 of 18 December 1998, and report on this to the Committee's fortieth session.

161. The Committee for Programme and Coordination also discussed, in relation to the programme performance report for the biennium 1996-1997, the status of 57 outputs carried over from the biennium 1994-1995 and further postponed during the biennium 1996-1997. It expressed regret that the opinion of relevant intergovernmental bodies on the proposal by the Secretary-General to delete some outputs was not submitted, as requested by the General Assembly in resolution 53/207. The Committee for Programme and Coordination was concerned that, as indicated in the report, certain outputs were postponed and others terminated owing to lack of resources during the biennium. The Committee stressed the need for clear justification and criteria for termination of outputs in future programme performance reports.

E. Evaluation

In-depth evaluation of the disarmament programme

162. The evaluation report reviewed the achievements and shortcomings of the disarmament programme in supporting the work of the international disarmament machinery (the First Committee of the General Assembly, the Disarmament Commission, the Conference on Disarmament and review conferences) in implementing General Assembly resolutions and decisions and in providing the assistance requested to parties to multilateral disarmament agreements. It found that delegations were generally satisfied with the support provided by the secretariat of the Department for Disarmament Affairs to multilateral bodies. Difficulties were mostly related to the availability of technical information, the activities of the regional centres, the United Nations Disarmament Information Programme, the cooperation with regional organizations and the development of contacts with the specialized agencies and research and non-governmental institutions, as mandated in the Final Document of the Tenth Special Session of the General Assembly. The difficulties were partly related to the decrease in resources allocated to the programme since 1992, the decrease in extrabudgetary resources being very pronounced. In the meantime, priorities agreed upon at the tenth special session remain pressing and additional tasks have been mandated. The Committee for Programme and Coordination took action on the recommendations of the in-depth evaluation (A/54/16, paras. 495-497).

Delegations were generally satisfied with Department for Disarmament Affairs secretariat support to multilateral bodies.

In-depth evaluation of the electoral assistance programme

163. The evaluation report reviewed the achievements and shortcomings of the United Nations electoral assistance programme from 1992 to 1998. The report focused on: (a) the role of the Electoral Assistance Division in the context of the changing nature of international electoral assistance and international norms and codes of practice; (b) overlapping roles and responsibilities in the area of electoral assistance among units and organizations of the United Nations system; (c) internal and external assessments of the Electoral Assistance Division's major activities; and (d) adequacy of existing standard operating procedures, institutional memory and lessons learned processes. The evaluation concluded that, *inter alia*, "During the period under review, 1992-1998, electoral assistance under the auspices of the Electoral Assistance Division of the Department of Political Affairs was provided to 68 Member States, mainly in the forms of coordination and support for international observation and technical assistance. These activities have made significant contributions to the conduct of specific elections in many Member States. They have also contributed to the development of electoral institutions in some of these States. This impact has been achieved by expenditures that were small in comparison with those of peacekeeping and other large-scale missions with

electoral responsibilities" (E/AC.51/1999/3, para. 69). Recommendations were made with respect to: guidelines to Member States seeking electoral assistance; the orientation and responsibilities of the Electoral Assistance Division and the Department of Political Affairs for needs assessment; the re-establishment and development of an electoral assistance network; contributions to intergovernmental political debate; coordination and facilitation of lessons learned; facilitation of the development of regional associations of electoral officials; mainstreaming of gender issues; active solicitation of extrabudgetary funds; and allocation of responsibilities for electoral assistance within the United Nations. The Committee for Programme and Coordination took action on the recommendations of the in-depth evaluation (A/54/16, paras. 511-513).

These activities have made significant contributions to the conduct of specific elections in many Member States. They have also contributed to the development of electoral institutions in some of these States. This impact has been achieved by expenditures that were small in comparison with those of peacekeeping and other large-scale missions with electoral responsibilities.

Triennial reviews of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-sixth session on the evaluations of the Department of Public Information and Peacekeeping Operations: termination phase

164. Triennial reviews are submitted in accordance with the decision taken by the Committee for Programme and Coordination at its twenty-second session to review the implementation of its recommendations three years after taking a decision on an in-depth evaluation.

165. The review of the Department of Public Information found that the Department had made an effort to follow through on a number of recommendations of the Committee. The Department had pursued a more active way of using traditional media, such as radio broadcasting, as well as new media. It is also developing a more effective news-gathering and delivery system. Progress, however, is uneven and the effect of measures adopted in 1997 and 1998, following the reorientation of United Nations public information activities, needs to be reviewed at a later time. The Committee for Programme and Coordination "commended the report and the monitoring and follow-up activities of the Office of Internal Oversight Services that went into its preparation" (A/54/16, para. 525) and took action on its recommendations (ibid., paras. 527 and 528).

166. For the discussion of the triennial review of the Department of Peacekeeping Operations, see paragraphs 30-31 above.

Schedule of in-depth evaluations

167. The General Assembly, on the recommendation of the Committee for Programme and Coordination, has adopted the following schedule of in-depth evaluations:

2000 Global development trends, issues and policies, global approaches to social and microeconomic issues and policies and the corresponding subprogrammes in the regional commissions

Advancement of women

2001 Policy coordination and sustainable development

Population

Appendix I

Significant recommendations in reports of the Office of Internal Oversight Services on which corrective action has not been completed

In paragraph 28 (d) of ST/SGB/273 of 7 September 1994, the Office of Internal Oversight Services (OIOS) was requested to include in its annual report an identification of each significant recommendation in previous reports on which corrective action has not been completed. The following areas in which implementation of OIOS recommendations was not completed by 30 June 1999 were discussed in the previous annual report of OIOS (A/53/428) in the paragraphs indicated.

Office of Internal Oversight Services function	*Addressee/subject/reference in previous annual reports*	*Status*
Audit	Department of Management/commercial insurance A/53/428, para. 64	Implementation action is awaited on five recommendations contained in the report of OIOS on commercial insurance programmes (A/52/1020, annex), namely: promulgation of a policy on risk to offices away from Headquarters combined with a review of property losses; transfer of responsibility for commercial insurance to the procurement and contract unit within the Office of Central Support Services; performance of a risk assessment, in consultation with the Department of Peacekeeping Operations, of demining activities; requesting proposals for demining insurance from underwriters; and seeking an independent assessment of the adequacy of the Organization's self-insurance fund.
Audit	Department of Peacekeeping Operations/United Nations Transition Mission in Haiti Department of Political Affairs/Trust Fund for Electoral Assistance A/53/428, paras. 26-27	An audit of the United Nations Transition Mission in Haiti revealed a breakdown of internal controls and serious weaknesses in the management of the Trust Fund for Electoral Assistance, including an unreconciled discrepancy of almost $625,000 between the amounts advanced to, and those accounted for by, the Provisional Electoral Council. Although many of the deficiencies have since been corrected, OIOS continues to monitor follow-up action by the Department of Peacekeeping Operations concerning the reconciliation of trust fund accounts.

Office of Internal Oversight Services function	*Addressee/subject/reference in previous annual reports*	*Status*
Investigation	Department of Peacekeeping Operations A/53/428, paras. 68-70	Recommendations to improve efficiency, accountability and expertise in procurement planning for aviation services in peacekeeping missions are under review.
Investigation	International Criminal Tribunal for Rwanda A/53/428, paras. 72-74	Recommendation to improve financial controls and accountability in the operation of the Tribunal have not been fully implemented.
Evaluation	Department of Management A/52/426, para. 41 and A/53/428, appendix I	No action had been taken as of the end of this reporting period on implementing recommendation 1, special emergency rules and procedures, of the in-depth evaluation of the Department of Humanitarian Affairs (E/AC.51/1997/3).

Appendix II

Reports of the Office of Internal Oversight Services during the period from 1 July 1998 to 30 June 1999

A. Reports to the General Assembly

Inquiry into allegations of insufficient use of expertise in procurement planning of aviation services in peacekeeping missions (A/52/1010)

Audit of commercial insurance programmes (A/52/1020)

Audit of the United Nations health insurance programme (A/53/467)

Audit of the employment of retirees (A/53/642)

Allegations of theft of funds by a United Nations Conference on Trade and Development staff member (A/53/811)

Report on the increase in costs of the Integrated Management Information System development contract (A/53/829)

Review of procurement-related arbitration cases (A/53/843)

Audit and investigation of the International Tribunal for the Former Yugoslavia (A/54/120)

B. Reports to the Committee for Programme and Coordination

In-depth evaluation of the disarmament programme (E/AC.51/1999/2)

In-depth evaluation of the electoral assistance programme (E/AC.51/1999/3)

Triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-fifth session on the evaluation of the Department of Public Information (E/AC.51/1999/4)

Triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-fifth session on the evaluation of peacekeeping operations: termination phase (E/AC.51/1999/5)

Ways in which the full implementation and the quality of mandated programmes and activities could be ensured and could be better assessed by and reported to Member States (A/54/117)

C. Audit reports (departments/audit subject)

Department of Economic and Social Affairs	International Research and Training Institute for the Advancement of Women (INSTRAW)
	Technical cooperation projects executed by the Department for Development Support and Management Services/Department of Economic and Social Affairs in Saudi Arabia
Department of Management	Security and safety service of the United Nations local area networks management
	Headquarters telephone system
	Management audit of executive offices
	Transportation operations
	Separation payments
	Status of year 2000 activities at clients away from Headquarters
Department of Peacekeeping Operations	United Nations Interim Force in Lebanon (UNIFIL)
	United Nations Mission in Bosnia and Herzegovina (UNMIBH) Central Support Service
	Voluntary Trust Fund for Assistance in Mine Clearance
	Liquidation of the United Nations Transitional Administration in Eastern Slavonia, Baranja and Western Sirmium (UNTAES) and the Transition to the United Nations Police Support Group (UNPSG)
	United Nations Logistics Base at Brindisi, Italy (UNLB)
	Management audit of the United Nations Field Service Officers
	Overpayments of mission subsistence allowance at the United Nations Iraq-Kuwait Observation Mission (UNIKOM)
	Service ration contract management
	Resident audit of early repatriation of International Police Task Force monitors
	Pre-liquidation audit of the United Nations Observer Mission in Angola (MONUA)
	Liquidation of the United Nations Preventive Deployment Force (UNPREDEP)
United Nations Office of the Humanitarian Coordinator for Iraq	Report on the operations of the United Nations Office of the Humanitarian Coordinator for Iraq (UNOHCI) undertaken by the OIOS resident auditor/June-July 1998

Economic Commission for Africa	Economic Commission for Africa
	Management audit of conference centre at the Economic Commission for Africa
	Status of year 2000 activities at the Economic Commission for Africa
Economic Commission for Europe	Status of year 2000 activities at the Economic Commission for Europe
Economic Commission for Latin America and the Caribbean	Subregional headquarters of the Economic Commission for Latin America and the Caribbean for the Caribbean, Port-of-Spain
Economic and Social Commission for Western Asia	Move of the Economic and Social Commission for Western Asia headquarters from Amman to Beirut
	Status of year 2000 activities at the Economic and Social Commission for Western Asia
Economic and Social Commission for Asia and the Pacific	Management audit of the conference centre at the Economic and Social Commission for Asia and the Pacific
	Status of year 2000 activities at the Economic and Social Commission for Asia and the Pacific
International Court of Justice	Status of year 2000 activities at the International Court of Justice
International Tribunal for the Former Yugoslavia	Information technology management at the International Tribunal for the Former Yugoslavia
	Status of year 2000 activities at the International Tribunal for the Former Yugoslavia
International Criminal Tribunal for Rwanda	Information technology management at the International Criminal Tribunal for Rwanda
International Trade Centre	Administration of the Revolving Funds Education Grant at the International Trade Centre
	Status of year 2000 activities at the International Trade Centre
United Nations Centre for Human Settlements	United Nations Centre for Human Settlements Regional Office for Africa
	Fukuoka Office of Internal Oversight Services, Rio de Janeiro office
United Nations Compensation Commission	United Nations Compensation Commission, personnel function
	Status of year 2000 activities at the United Nations Compensation Commission
United Nations Conference on Trade and Development	United Nations Conference on Trade and Development budgetary and financial controls
	Status of year 2000 activities at the United Nations Conference on Trade and Development
United Nations Convention to Combat Desertification	Status of year 2000 activities at the United Nations Convention to Combat Desertification

United Nations Environment Programme	Regional office for Latin America and the Caribbean
	Secretariat of the Convention on the Conservation of Migratory Species of Wild Animals
	Coordinating Unit for the Mediterranean Action Plan
	Regional Office for Asia and the Pacific
	Regional Coordination Unit of the East Asian Seas
	Secretariat of the Basel Convention
	United Nations environment protection travel claims
	Regional Office for West Asia
United Nations Office for Drug Control and Crime Prevention	United Nations drug control programme in the Netherlands Antilles
	United Nations International Drug Control Programme programme outputs for the biennium 1996-1997
	United Nations International Drug Control Programme projects AD/RAS/95B36 (Support to the subregional action plan for 1995-1998) and AD/RAS/95/968
	(Reduction of illicit narcotic drugs and controlled chemicals in Yunnan)
	Status of year 2000 activities at the United Nations International Drug Control Programme
Secretariat of the United Nations Framework Convention on Climate Change	Status of year 2000 activities at the United Nations Framework Convention on Climate Change
United Nations Institute for Disarmament Research	Status of year 2000 activities at the United Nations Institute for Disarmament Research
United Nations Institute for Training and Research	Status of year 2000 activities at the United Nations Institute for Training and Research
United Nations Office at Geneva	Five cases of recruitment, placement and promotion of General Service at the United Nations Office at Geneva
	Telecommunications services at the United Nations Office at Geneva
	Status of year 2000 activities at the United Nations Office at Geneva
United Nations Office at Nairobi	United Nations Office at Nairobi accounts receivable
	United Nations Office at Nairobi information technology management
	Status of year 2000 activities at the United Nations Office at Nairobi
United Nations Office at Vienna	International Advisory, Scientific and Professional Council of the United Nations Crime Prevention and Criminal Justice Programme
	Centre for International Crime Prevention

	Status of year 2000 activities at the United Nations Office at Vienna
United Nations Research Institute for Social Development	Status of year 2000 activities at the United Nations Research Institute for Social Development
United Nations University	Status of year 2000 activities at the United Nations University

D. Investigation reports (department/investigation/subject)

Department of Peacekeeping Operations	Fraudulent education grant claims (multiple reports)
	Misconduct
	Shipment of personal effects
Office of Human Resources Management	Misconduct
Department of Economic and Social Affairs	Fraudulent education grant claim
	Hiring practices
Office of Central Support Services	Forgery
Economic Commission for Africa	Cheque fraud
United Nations Office at Nairobi	False security grant claims (multiple reports)
	Processing of pension benefits
Office of the United Nations High Commissioner for Refugees	Misconduct
	Bribery
United Nations International Drug Control Programme	Embezzlement
United Nations Office for Drug Control and Crime Prevention	Misconduct
United Nations Relief and Works Agency for Palestine Refugees in the Near East	Corruption allegations